

JPRS-CEA-85-112

20 December 1985

# China Report

ECONOMIC AFFAIRS



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20 December 1985

## CHINA REPORT

### ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

PRC JOURNAL ON 7TH 5-YEAR PLAN PROPOSALS

HK270525 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 85 pp 3-9

[Article by Liu Hong [0491 3163] and Wei Liqun [7614 4409 5028] of the policy research office of the State Planning Commission: "On Correctly Handling Several Important Relationships in the Seventh 5-Year Plan"]

[Text] The recently held National Conference of Party Delegates has examined and passed the "Recommendation of the CPC Central Committee on Formulation of the Seventh 5-Year Plan for the National Economy and Social Development." This is a document embodying important guiding significance on the socialist modernization of our country. It summed up the experiences gained in socialist construction and reform of the economic structure since the founding of the PRC, particularly since the 3d Plenary Session of the 11th CPC Central Committee and scientifically advocated the guiding ideology, basic talks, important strategies, guidelines and policies on economic and social development during the Seventh 5-Year Plan period. This document is full of the spirit of seeking truth from facts and creating something new. It integrates the basic theories of Marxism with the national conditions of our country and reflects the total demand for establishing socialism with Chinese characteristics, being a correct outline for the formulation of the Seventh 5-Year Plan.

The "Recommendation" started from the actual basis of our economy, followed the strategic tasks designed for the end of this century by the 12th CPC National Congress, advocated clear demands for the fighting targets of the "Seventh 5-Year Plan." The major demands are: Striving to lay the foundation for a new-type socialist economic structure with Chinese characteristics, vigorously promoting scientific and technological progress and development of the intellect, continuously improving the economic results, enabling the annual gross output value of industry and agriculture in 1990 to be double that in 1980 or even more, making the per capita actual consumption level of urban and rural residents achieve an annual increase of 4-5 percent, and enabling the people's standard of living, living environment, and residential conditions to be further improved. These fighting targets are realistic and immensely far-sighted and reveal to the people of the whole country bright prospects for the future.

Realization of these targets will enable us to straighten out the economic relationships on various sides, basically putting the economic structure on a new track. We shall then have achieved enormous progress in the gigantic undertaking of establishing socialism with Chinese characteristics.

Realization of these targets will enable our country to achieve noticeable results in employing new technology to transform traditional industry and develop new industries and to make important breakthroughs in tackling new technological problems of vital significance. This will enable the quality and functions of a portion of the important products to reach the level of their counterparts in the advanced countries at the end of the 1970's or the beginning of the 1980's. By means of ordinary institutions of higher learning and adult education, our country will in 5 years' time train up 5 million high-grade talented people.

Realization of these targets means that our country will have built a number of major backbone projects, enabling the production capacity of energy and raw materials and the transportation and communications capability to be clearly enlarged, greatly increasing the sustaining and follow-up power for economic and social development in the 1990's.

Realization of these targets means a relatively large increase in the economic strength of our country. By 1990, the gross output value of our country's industry and agriculture will reach 1,600 billion yuan and the gross national income will reach 1,100 billion yuan.

Realization of these targets means that the standard of living of our urban and rural residents will be further improved and the people's consumption will be gradually transformed from the type which merely meets the clothing and eating needs to being comparatively well-off.

In short, realization of the above-mentioned targets will bring about a complete change in the entire socio-economic outlook of our country and we shall have even greater confidence in making an all-round fulfillment of the tasks by the end of this century and take new and bold steps forward on the road to making the state prosperous, wealthy and strong and the people affluent and happy.

The above-mentioned targets advocated in the "Recommendation" are the targets for an overall development, being targets organically related to various sides. To make these targets become realities, it is still necessary to do a lot of difficult and complex work and to solve a series of complicated contradictions and problems. In regard to the formulation of the "Seventh 5-Year Plan," we believe that we must lay stress on handling well the following several relationships:

I. Correctly Handling the Relationship Between Reform and Construction, Placing Reform in the First Place

The "Seventh 5-Year Plan" period is an important one for realizing gigantic targets by the end of this century and is also a key period for making an



overall reform of the management structure in economy, science and technology, education and so forth. Only in banishing the various defects restricting the development of the productive force in the existing structure, gradually establishing a socialist management structure with Chinese characteristics, and fully arousing the enthusiasm and activism on various sides, is it possible to ensure the sustained development of our economy in the next 5, 10 or 20 years or even longer. If we do not firmly grasp reform and allow the various enterprises to continue their development according to the old structure and pattern, the progress of our country's four modernizations will be delayed. Hence, reform is the overwhelmingly important task at present. Various kinds of work must be beneficial to reform and must ensure the smooth progress of reform.

In formulating the Seventh 5-Year Plan, correctly handling the relationship between reform and construction is an exceedingly important lesson. The "Recommendation" advocated that we should staunchly put reform first and make reform and construction suited to each other and promote each other. This is the only correct principle in handling the relationship between reform and construction. Basically speaking, reform is for the purpose of serving construction. Performing a good job in reform can effectively promote the development of economic construction. At present, there exist definite contradictions between reform and construction. This is because of the following: 1) The main direction of reform of the economic structure is to invigorate the enterprises and to invigorate the whole national economy. But to carry out this reform, there must be generally coordinated relationships and relatively liberal market conditions. If the relationships are not coordinated and if the contradictions between supply and demand are outstanding and violent and commodity prices rise too sharply, then we shall meet with immense difficulties in invigorating the economy, in putting into fuller play the role of the law of value and regulation by market mechanism, and in further exercising a large degree of indirect control. 2) Reform of the economic structure, particularly of the price system and wages system, requires the necessary financial support. 3) In the course of the all-round reform of the economic structure, changes in the economic relationships are relatively violent and this may engender more unexpected conditions, thus requiring the state to have relatively more reserves in readiness. All this requires suitably determining the development speed of the construction enterprises. If the steps taken are too wide and the pressure on various sides too strong, confusion in economic life may ensue. Hence, during the "Seventh 5-Year Plan" period, reform must be put first, and the arrangements for construction cannot be too large, so as to set aside a part of the strength in support of reform and thus create a good economic environment for the smooth progress of reform. This constitutes the demand for maintaining stability in the overall situation and also the need for ensuring the long-term and even greater development of economic construction.

In accordance with the demands of the "Recommendation," in the "Seventh 5-Year Plan" period, it is necessary to further increase the vitality of the enterprises, particularly large and medium enterprises owned by the whole people; to further develop socialist planned commodity markets and to gradually



perfect the market structure; and to macroscopically strengthen the direct control over the economy. Around these three points, we should perform well the job of reforming the planning, price structure, financial, currency and labor wage systems. If a good job is done in reform, economic relationships can be smoothed out, economic life can be full of life and vitality and the national economy can progress with more benefits. The formulation and enforcement of the "Seventh 5-Year Plan" must vigorously promote these reforms and ensure their smooth realization.

The all-round reform of the economic structure is an enormous social systematic project. We must fully understand reform's complex and difficult nature. Starting from the current actual conditions, in order to enable the various reforms to develop in a more healthy manner, we should pay attention to, and grasp well the following two lines of work: First, to systematically carry out composite reform in collaboration with other reforms. Regardless of its nature, a reform measure is not only related to, and conditioned by other reform measures but is also closely related to all economic and social life. Only through making a good composite reform along with its accessory parts can we attain the originally expected objectives. The reform in the past several years had achieved great results in liberalizing and invigorating and has injected life and vitality into economic life. However, because accessory and collaboration work had not followed up well and in particular, macroscopic indirect control had not followed up, the phenomenon of loss of control appeared on certain sides. It should be noted that micro liberalizing is reform and, simultaneously with reducing direct control, strengthening macroscopic indirect control is also reform and that the more the economy is invigorated the more must macrocontrol be strengthened. Furthermore, only strengthening macroindirect control enabling the important economic relationships to be coordinated and maintaining stability in economic life is beneficial to further enlivening the economy microscopically. Therefore, in the course of reform, it is necessary to pay full attention to composite assembling work, to give overall consideration to the various reforms, to have plans and markets, micro-enlivening and macro-control organically integrated to bring about the comprehensive and effective utilization of the various measures such as economic levels, economic policies, economic legislation, economic supervision and administrative methods. Second, to correctly handle the relationship between breaking the old and establishing the new. Reform is the unification of this breaking and establishing. We should firmly insist on there being both breaking and establishing, that establishing should come first and breaking afterward, that breaking should not come first and establishing afterward, and that there should not be breaking alone without any establishing. According to the experiences of the past several years, in the next 1 or 2 years, along with the demand for stabilizing the economy, efforts should be directed at perfecting the economic inspection and supervision system, improving economic legislation and judicial work, strengthening the regulation role of economic levers, raising the state's capacity to effect macrocontrol of the economy, and propel the reform of the economic structure forward in an even better manner.

## II. Correctly Handling the Relationship Between Accumulation and Consumption and Firmly Insisting on the Basic Balance of Social Gross Demand and Gross Supply

The proportion between accumulation and consumption is the most basic proportionate relationship in the national economy. Balance of the gross social demand with the gross social supply is the most important balance in the national economy. Historical experiences have amply shown that whenever the proportion between accumulation and consumption is relatively appropriate and the gross social supply and demand are in general balanced, the time is ripe for the national economy to develop in a coordinated and stable manner. Conversely, it will be difficult for the whole economy to operate in a normal manner and the stability of economic life will be severely jeopardized. Hence, in formulating the "Seventh 5-Year Plan," it is necessary to rationally arrange the proportionate relationship between accumulation and consumption and realization of the basic balance of gross social demand and supply as a basic guiding principle.

Constantly improving the people's standard of living is the starting point of the entire policy of the party and state in undertaking socialist modernization. In formulating the plan, first of all the people's livelihood must be arranged well, so that the consumption level of the urban and rural people can be further improved. However, improvement of the people's standard of living must be based on the development of production and it is not possible to raise too high a demand which exceeds the possibility of an increase in production. At the same time, it is necessary to make appropriate arrangements for various kinds of construction enterprises and maintain a definite scale in construction. Only by so doing, can economic development possess the follow-up power and can there be a reliable basis for the sustained improvement of the people's standard of living. However, the scale of construction must also be rational and cannot surpass the limits of the national strength. Recently, the scale of investment in fixed assets was too large, the growth of consumption funds was too violent, granting of credit and loan funds was excessive and, as a result, certain unstable factors emerged in economic life. Under such conditions, in formulating the "Seventh 5-Year Plan," we should pay close attention to the rational distribution of the national income, maintain and coordinated relationship between accumulation and consumption, firmly overcome and prevent the continued inflation of the demand for investment and the demand for consumption, and achieve the objectives of the individual balance and reciprocal and overall balance of state finance, credits and loans, material sources and foreign exchange. This is the pivotal link in ensuring the basic balance of gross social demand and supply. Not to do so will make it difficult to develop the national economy in a sustained, coordinated and stable manner and also make it difficult for the reform of the economic structure to progress smoothly.

The "Recommendation" advocated that by 1990, the average actual consumption level of residents in the whole country should increase by 25 percent over 1985. This growth rate is generally similar to the growth rate of the per capita national income during the same period. This consideration has paid

close attention to lining up with the demand that by the end of this century the people's standard of living would reach the level of being comfortably well-off and also to the possible growth rate in production. Adherence to this demand will, on the one hand, avoid the past tendency of just considering production standard of living and, on the other, prevent the rise in the standard of living surpassing the scale of increase in production and prevent the appearance of the phenomenon of consumption inflation. This brings about the close integration between living and production, their mutual promotion and joint growth.

While making rational arrangements for the people's livelihood, the "Recommendation" also made definite demands concerning the scale of construction during the "Seventh 5-Year Plan" period. In view of the present excessively large scale of construction, the scale of fixed asset investments in 1986 and 1987 will be maintained at the 1985 level while in the next 3 years adequate increases may be made in accordance with the conditions. On the pre-condition of controlling the whole scale of investment in fixed assets of whole society, it is necessary to centralize all necessary financial power and material power to strengthen the construction of the basic industries and basic facilities such as energy, communications, posts and telegraphs, and raw materials, and also avoid non-differentiation between the order of importance and urgency, and prevent advancing along the whole front. In accordance with these demands, during the "Seventh 5-Year Plan" period, the accumulation rate will be maintained at around 30 percent and the investment structure will be rationally adjusted. This will make the construction scale conform with the national strength, prevent the inflation of investment demand and maintain the stability of the whole economy and in general will also meet the demand for increasing the power to follow up economic development and prepare the necessary conditions for economic development in the 1990's.

In short, the policy and arrangements advocated in the "Recommendation" in regard to accumulation and consumption are realistic and correct. Close compliance with these demands in formulating the "Seventh 5-Year Plan" will make demand and possibility become better integrated and concurrently, and in a better manner, look after accumulation and consumption, construction and living, thus maintaining the basic balance of gross social demand and supply.

### III. Correctly Handling the Relationship Between Quality and Quantity and Between Result and Speed; Placing the Improvement of Results, Particularly Improvement of Quality, in an Outstandingly Important Position

For a prolonged period, there has been a tendency in economic planning work to highly regard output quantity, lightly regard output quality--lopsidedly seeking high development speed and ignoring the importance of economic results. However, in recent years, this situation has changed somewhat, but the problem is still far from being basically solved. In formulating the "Seventh 5-Year Plan," we should further rectify this tendency, follow the objective demands of socialist economic laws, and strive to achieve the unification of quantity and quality, speed and results.



Rationally determining the economic growth rate is an important problem related to the whole "Seventh 5-Year Plan." Only in making the economy maintain a definite growth rate, is it possible to create the necessary conditions for improving the standard of living, developing construction and promoting the reform. But we cannot set the growth speed too high and cannot overlook the importance of quality and results to lopsidedly search for quantity and speed. The "Recommendation" demanded that during the "Seventh 5-Year Plan" period the GNP should average an annual increase of over 7 percent, that the gross output value of agriculture should average an annual increase of 6 percent and the gross output value of industry average an annual increase of 7 percent. This growth rate conforms with reality and is appropriate. The reasons are: 1) Since the 4th quarter of 1984, industry's growth rate has been too rapid, bringing about certain disadvantageous effects on economic life. To a certain degree, this growth rate was due to the stimulation of the violent inflation of investment demand and consumption demand and was supported by the use of a large amount of foreign exchange to import raw materials and odd-lot goods. Hence, it could not be sustained. Appropriately reducing to a certain extent the growth rate of industry will be beneficial to overcoming certain unstable factors in the current economic life and will also help in creating a good economic environment for the reform. 2) The annual growth rate of the gross output value of industry and agriculture during the period of the "Sixth 5-Year Plan" is estimated at over 10 percent. This is already higher than the annual growth rate of 7.2 percent necessary for quadrupling the annual gross output value of industry and agriculture by the end of this century, but the improvement in the economic results has not been rapid. To appropriately reduce a little, the current growth rate, which tends to be on the high side will be beneficial to shifting the attention on various sides to further improving the quality of the products and the economic results and will help in further readjusting the industrial structure and the structure of the products. 3) Historical experiences have shown that planned targets should always leave some leeway. If the plan has left some leeway, and is ultimately surpassed by the operation results, the people will be enthusiastic and will do their work of their own accord. In short, the above-mentioned growth rate is built on a scientific and analytical basis in accordance with the actual economic conditions and the development trend, and is a correct policy which considers the situation as a whole.

It should be seen that correctly handling the relationship between quantity and quality and that between speed and result, and firmly insisting on placing improving the quality of the products, in an outstandingly important position not only has an important significance in the all-round realization of the strategic objectives by the end of this century speeding up the progress of modernization of the national economy but also has a key significance in triumphantly fulfilling the various tasks in the "Seventh 5-Year Plan" period. In the next 5 years, we shall be confronted with three main tasks: The first is to create a good economic environment and social environment for the reform of the economic structure, so that various reforms can progress smoothly; the second is to prepare the necessary sustaining and supporting power in material resources and technology for economic and social development in the 1990's; and the third is to achieve the continued improvement of the people's standard

of living. In making overall consideration of, and all-round arrangement for, these three tasks, we may meet with an outstanding contradiction and this is the shortage of funds. The principal way to solve this contradiction is to improve the economic results. Only through fully and effectively utilizing various resources and the practice of putting in little but creating much will it be possible to fulfill, in a better way, the tasks facing the "Seventh 5-Year Plan." At present, in the sectors of production, construction and circulation, the phenomena of the poor quality of product, high consumption rate, and high cost of production are generally found. For example, in regard to the quality of the products of the state-run industrial enterprises, the stability and improvement rate in 1984 dropped by 22 percent compared with the preceding year while in the first half year of this year it dropped by 11.6 percent in comparison with the same period of last year; the cost of production of comparative products in 1984 increased by 1.9 percent compared with the preceding year and rose by 3.9 percent again in the first half year of this year compared with the corresponding period of the preceding year; while the utilization rate of investment in fixed assets dropped to 71.8 percent in 1984 from 76.3 percent in the preceding year and was down again in the first half year of this year compared with the corresponding period of the preceding year. This condition illustrates that at present in many regions, departments, and enterprises the phenomenon of one-sidedly seeking speed and quantity is still prevalent, and that no efforts have been made to really shift economic work to the track of taking the improvement of economic results as the center. At the same time, it shows that there is still immense potential in improving the economic results. In this regard, we must exert great efforts and work hard to increase output through improving the quality of products and seek an increase in speed through improving the results.

In improving the economic results and quality of products, it is necessary to adopt a series of effective policies and measures. Now, and for a certain period from now on, we should place the emphasis on grasping the following three lines of work:

First, we must vigorously improve the management level on various sides. At present, our country is backward in both microeconomic management and macroeconomic management. This is an important reason for the poor economic results. In certain respects, this factor affects the whole economic situation more deeply than backwardness in technology, and improving and strengthening management carries a more urgent and more realistic significance. If the management level is improved, then a slight increase in the amount of financial power and material power will be sufficient to bring about a large improvement in the quality of the products and the economic results. Hence, during the "Seventh 5-Year Plan" period, we should, along with striving to improve the macromanagement level, make an all-round improvement of the enterprises' operation and management, strengthen the training of the staff and workers and the quality factor of the enterprise on all sides so that both the quality of products and the economic results can be noticeably improved.

Second, we must truly shift the major construction points to the technical transformation of the existing enterprises and to their rebuilding and



expansion. Standing firm on the existing foundation, carrying out the technical transformation of the enterprises, rebuilding and expanding them and achieving the objectives of putting in little but producing more and achieving quick results, constitute an important road to speeding up the modernization of the national economy. At present, our country has a fairly complete category of industries and the industries all have a fairly firm basis. We have the conditions now to take the road of expanded reproduction by intensification. During the "Seventh 5-Year Plan" period, although it is necessary to appropriately and newly build a number of backbone projects if the state's financial power and material power permit, it is still necessary to invest mainly in existing enterprises. In the course of planning the arrangements, if the problem can be solved by means of technical transformation, then no capital construction would be necessary and if the problem can be solved by means of rebuilding and expansion, then there should be no new building. If new building is necessary, construction should be confined to those projects which can yield results in the not too distant future. In the use of funds, the proportion, out of the gross investment funds, of investments in technical transformation, rebuilding and expansion should be further raised and in certain major sectors the depreciation rate of certain industries and trades should be likewise raised. All technical transformation projects of the enterprises should be centered on improving the quality and functions of the products and increasing the variety of products and should avoid one-sidedly striving for expanding the production capacity.

Third, we should further readjust the industrial structure. This is a basic measure to continuously improve socio-economic results. During the "Seventh 5-Year Plan" period, in order to suit the rise in the people's consumption level and changes in the consumption structure, we should continue to promote an all-round stable development in agriculture, strive to expand the production areas of the consumer goods industries, and actively develop the civilian construction trade. In view of the sharp contradiction existing between supply and demand in regard to energy and raw materials and the serious backwardness in communications and the information services, it is necessary to centralize all necessary strength and speed up the development of the weak links. To meet the needs of developing commodity economy and raising the modernization level, it is necessary to give prominence to the development of the tertiary industry which serves production and livelihood. Once a good job is done on these various sides and the production structure is further rationalized, then there will be a noticeable rise in the social labor productivity rate, and in the funds utilization rate and resources utilization rate.

#### IV. Correctly Handling the Relationship Between Economic Construction and Scientific Progress and Development of the Intellect, Speeding up the Development of the Scientific and Educational Enterprises

In modern economic development, the role of science, technology and intellectual power occupies a position of ever-increasing importance. Vigorously developing science and technology and continuously raising the scientific and cultural level of the entire nation and training up a large number of

specialists and talented persons are directly related to the success of our modernization program and related to the enrichment of the people and prosperity of the nation. Hence, it is necessary to fully understand the immense role of science and technology and educational enterprises, truly place them on a strategic footing, strive hard to make economic construction rely all the more on scientific and technological progress and intellectual development, and thus further orient scientific and technological work and the educational enterprises toward economic construction and serving economic construction.

During the Seventh 5-Year Plan period, our scientific and technological work will face a new situation and new tasks. The industrial structure and consumption structure will develop in the direction of being high-grade and consisting of many levels, the technical transformation of the existing enterprises will be carried out on a much larger scale, construction of the major projects will be heightened and the scope and scale of the introduction of foreign advanced technology will be further expanded. All this will raise many questions about scientific and technological work which will need urgent solution. Only in vigorously developing and universally promoting the already existing scientific and technological results and noticeably raising the level of production technology of the whole society and only in energetically organizing the forces on various sides to tackle difficult scientific and technical problems and achieving important breakthroughs in a number of crucial research problems will it be possible, on the basis of scientific and technological progress, to better promote the economic and social development in the "Seventh 5-Year Plan" period. In particular, it should come to our notice that the waves of the current new technological revolution in the world have brought along a series of penetrating changes in the world in such sectors as production, exchange, consumption and social life, making our country face a stern challenge. If we do not grasp this opportune moment to strive hard to open up those technological areas which have all the conditions for development, then the disparity in economic and in technological development between our country and the developed countries will not be gradually narrowed but may even be further enlarged. Hence, during the "Seventh 5-Year Plan" period, we should devote major efforts to developing the mini electronics technology, information technology and new types of materials and at the same time strengthen the research and development of the newly rising technologies such as biological engineering, space technology, and laser technology, striving to gain important results and gradually forming a number of new industries. Only by so doing can we, in the midst of the currents of the world's new technological revolution, continuously open up and progress, and avoid being among those who have dropped out of the ranks.

In order to make the educational enterprise better suited to meeting the needs of economic and social development, during the "Seventh 5-Year Plan" period a new situation should be opened up in educational work. On the one hand, it is necessary to grasp making basic education universal, gradually enforce the 9-year system of compulsory education, earnestly perform the job of eliminating illiteracy and raise the scientific and cultural level of the whole people. On the other hand, it is necessary to vigorously develop professional

technical education and higher education, and train a large number of medium-grade and senior-grade specialists. We must further readjust the category of specialized sciences and their distribution at various levels, speed up the development of the branches of learning that are still lacking or weak and fragile, nurture the growth of new branches of learning and the frontier science and make the newly-trained talented people conform with the demands of the development of the modernization program. Strengthening the development of adult education is an important direction on developing the intellect. During the "Seventh 5-Year Plan" period, it is necessary to mobilize the forces on all sides and by means of diversified forms, further do a good job in training staff members already in employment in order that their ideology, culture, technology and business knowledge may be raised to a new level.

In speeding up the development of the scientific and educational enterprises, the most important work at present is to resolutely implement the CPC Central Committee's two decisions on reform of science and technology and the educational structure, to further enforce the policy toward intellectuals earnestly and in a planned manner, solve their problems in work and living, fully arouse and put into full play the enthusiasm of the intellectuals. In the planning and arrangements, it is necessary to gradually increase expenses for scientific research and education and investment in construction, substantiate and enrich the facilities for scientific research and teaching, and systematically develop a number of major scientific research organs and major higher institutions of learning into modernized bases for scientific experiments and personnel training.

#### V. Correctly Handling Our Country's External Relations and Expanding Our External Economic and Trade Relations and Exchange of Technology

The word today is open to all. Closing the country to international discourse can hardly realize its modernization, and speeding up a country's economic development through expanding international economic and technical cooperation and exchange has become the trend of the times. Since the 3d Plenary Session of the 11th CPC Central Committee, our country has forsaken the state of closing the door or half closing the door and has carried out a policy of opening to the outside world. A new situation in our external economic and technical exchanges has thus begun to appear. Experience in practice has shown that only by actively using the two sources of funds and resources, that is, from within the country and outside the country, to open up the domestic and external markets can we speed up the process of our country's modernization. In particular, in order to solve in a better way the contradiction of the shortage of funds the "Seventh 5-Year Plan" period will face, it is all the more necessary, on the principles of independence, autonomy, equality and mutual benefit, to actively expand our external economic and trade relations, make use of foreign capital and introduce advanced technology, thus using others' strong points to overcome our weak points.

In expanding external economic and trade relations and technology exchanges, the key lies in greatly increasing export trade and earnings in foreign exchange. Following such increases, our ability to repay loans will be

strengthened and we can thus use more foreign capital, contacting loans on favorable terms and ordinary commercial loans. Hence, increasing the export trade and foreign exchange earnings is an important strategic problem related to the whole situation of opening to the outside world. On the three aspects of the composition of export commodities, opening up of international markets and geographical distribution of the production of commodities for export, the "Recommendation" advocated export trade strategies that are suited to the demands of the international markets and conform with our national conditions. In our understanding, the basic spirit of these strategies is to strive to open up new areas and new situations while consolidating and developing the existing foundation and fronts. This will demand that various regions and departments further widen their field of vision, fully display the export superiorities of their regions or industries or trades, and vigorously increase the production of the commodities for export. In particular, coastal cities and towns open to the outside and the Zhujiang and Changjiang delta areas as well as the Minnan delta, Liaodong peninsula and Jiaodong peninsula should adequately readjust their industrial structure in accordance with export needs so as to enable more competitive commodities to enter the international markets. As for the various special economic zones, they should strictly observe the state's purposes and demands in establishing special economic zones, carry out the strategies of an economy of the outward-oriented type, speedily attain the status of mainly making use of foreign capital and producing goods for outside sales, and strive hard to earn more foreign exchange for the state. Simultaneously with increasing the export of commodities, the various regions and departments should work hard to increase revenues from non-trade sources such as tourism and the service trades.

On the side of import and introduction, we should likewise enforce strategies that conform with our national conditions. Our country being a developing country, stringency and shortage in foreign exchange is a problem that will exist for a long time. This requires meticulous care in the use of foreign exchange and we must strive for economy and good results. Introduction of foreign technology and import of commodities should serve the purposes of facilitating technological progress inside the country and improving the power of self-reliance and regeneration, so that with a limited amount of foreign exchange we can attain more and larger economic results. It should be noted that while in recent years our work in import trade has earned appreciable results, certain problems have still remained. First, a fairly large amount of foreign exchange has been squandered on importing large quantities of raw materials, odd-lot goods, and high-grade consumer goods. Though playing a definite role in promoting the development of production and construction and in balancing supply and demand in the domestic markets, these measures simultaneously and to a definite degree have stimulated too rapid an increase in industrial production and caused the composition of consumption demand to develop in an irrational direction, imposing certain passive effects on economic life. Second, there has been a certain degree of blind introduction of technology and of certain technologies that are not at all advanced, as well as equipment which could well be produced in the country. At the same time, redundant imports and unnecessary introductions have been made, thus wasting funds and foreign exchange. Failure to solve these problems will



result in the inability to further improve the economic results of the introduction and importing work or to promote progress in technology inside the country. Therefore, it is necessary to rationally readjust the composition of the import commodities and exert major efforts to import and introduce software, advanced and key equipment in technology, and also to readjust the production, construction projects, and other items that can produce substitutes for imported commodities and can improve foreign exchange earning capacity. In the case of commodities which can be produced inside the country, such production should by all means be encouraged, and importing them blindly from abroad should be avoided, thus protecting and promoting development of the national economy. In order to overcome and prevent blindness in introduction work, we should formulate regulations governing the national import of technology. An import license system should be instituted, thus strengthening macro-guidance and control in technology introduction and importing work.

#### VI. Correctly Handling the Relationship Between Construction of Material Civilization and Construction of Material Spiritual Civilization and Vigorously Strengthening the Construction of Socialist Spiritual Civilization

Construction of socialist material civilization and socialist spiritual civilization are closely related to each other and promote each other. Construction of material civilization is an indispensable basis in construction of spiritual civilization, while socialist spiritual civilization not only plans an immense promotional role vis-a-vis construction of material civilization but also represents a correct direction of development. Hence, we should firmly implement the policy of grasping the "two civilizations" at the same time, fully regard and earnestly grasp the construction of socialist spiritual civilization. Here, it is most important to insist firmly on the four basic principles, oppose and boycott the corrosive influence of capitalist, feudal and other rotten ideologies, oppose and boycott the liberalized practices of the capitalist class and ensure people of the whole country possess correct ideology, are virtuous and cultured, and observe discipline. This constitutes the most important ideological guarantee and popular condition for promoting the socialist modernization program and various kinds of reform.

Developing the cultural, news, publishing, broadcasting, television, sports and public health enterprises is also an important constituent part of the construction of socialist spiritual civilization. In formulating the "Seventh 5-Year Plan," sufficient attention should be given to developing these enterprises and definite arrangements should be made for them so as to bring into full play their roles in publicity and education and in enriching the people's spiritual life.

The party Central Committee's "Recommendation" is full of the reforming and creative spirit. To carry out the "Recommendation's" strategic ideologies, guidelines and policies requires the possession of both creative and developing spirit. This demands that in formulating the plan for economic and social development, it is necessary to break the out-dated and traditional



planning ideologies and methods, fully manifest the guidance ideology of the "Recommendation," and enable the "Seventh 5-Year Plan" to truly become a plan which promotes the basic transition of the management structure of our country in the fields of economy, science and technology, education, and so forth, from the old pattern to a new track. It must also be a plan which promotes the transformation of our comparatively backward technology to an advanced technology, and be a plan which envisions a close integration of the economic, scientific, technological and social developments and concurrent progress in the construction of the two civilizations, so as to vigorously promote our country's socialist modernization program to progress even more effectively.

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CSO: 4006/355

## NATIONAL POLICY AND ISSUES

### JINGJI RIBAO VIEWS COMMUNICATIONS AND TRANSPORT IN 2000

HK230357 Beijing JINGJI RIBAO in Chinese 9 Nov 85 p 3

[Article by Huang Yuqing [7806 6735 7230] of "China's Communications and Transport in 2000" Research Group: "China's Communications and Transport in the Year 2000"--passages within slantlines published in boldface]

[Text] Communications and transportation represent fundamental facilities in the national economy and a prerequisite for social reproduction, and occupy a vanguard strategic position in national economic and social development. Since the founding of the PRC, there has been great development in our communications and transport industries. /But the development of communications and transport still falls behind the needs of national economic and social development. This finds main expression in the following: Serious inadequacy of transport capacity; the backwardness of technical equipment; the irrationality of the structure of transport and also the incompatibility of the management system./ With communications and transport as a factor restraining national economic and social development, the free flow of goods is impossible, and the people have difficulty traveling. This has become a social problem.

From 1981 to the end of the century, total annual national industrial and agricultural output value is to be quadrupled. Given this great strategic goal defined at the 12th National Party Congress, communications and transport are placed in a new situation of economic revitalization. The transport load will be all the greater. According to an estimate, by the end of the century, the growth of highway and civil air passenger transport will outstrip railroad and water transport. In the year 2000, the volume of passenger traffic in the field of communications and transport will be 4.3-4.9 times as great as that in 1980; and the turnover of travelers will rise 3-3.5 times. The growth of the volume of freight will be lower than that of total industrial and agricultural output value. The average journey of cargo transport will continue to lengthen. The volume of freight in 2000 will be 1.9-2.1 times as much as that in 1980. The cargo turnover will rise 2.6-2.7 times. The volume of goods shipped in the main field of transport as part of a comprehensive transport network and the handling capacity of coastal ports will also grow at a very rapid pace.

### Three Kinds of Outlook for the Development of Our Communications and Transport by the Year 2000

/1) By 1990, we must achieve the aim of fundamentally meeting the needs of transport. We must create conditions for economic revitalization in the ensuing 10 years. By the year 2000, we must satisfy the needs of national and economic and social development, enabling communications and transport to really play a vanguard role./ To this end, we must build 30,000-40,000 km of railroad, bringing the total length to 80,000-90,000 km, 25-30 percent of it double-tracked. We must basically attain the modernization of railroad traction. We must extend highways to 1.5-2 million km, with around 100,000 km as first and second class by Chinese standards. We must have 1,000 sea port berths, including 700 deep-water ones. There must be about 10,000 km waterways for the inland water navigation of 1,000-ton-class vessels. The total investment is estimated at more than 500 billion yuan. /2) We must relieve the strain on transport by 1990 and bring communications and transport basically in line with the needs of national economic and social development by 2000./ To realize this, we still need to build 18,000-23,000 km of railroad, bringing the total length to 70,000-75,000 km, 24 percent of it double-tracked. The turnover of electric power and diesel locomotive traction is to account for around 80 percent of the total turnover. We must build 400,000-600,000 km of highways, bringing the total length to 1.3-1.5 million km, with 60,000 km as first and second class by Chinese standards. We must have 550-600 deep-water sea port berths, 400,000-450,000 km of civil air routes, and 30,000-35,000 km of pipelines. The length of the comprehensive transport network is to reach 1.988-2.168 million km. The required total investment is estimated at 350-380 billion yuan. /3. By 1990, there may still be a relatively great strain on transportation. By 2000, we may still fail to meet the needs of the national economy and the people's livelihood. Communications and transport may continue to constitute a prominent weak link restraining national economic and social development./

In light of the actual conditions of our country, we must strive to achieve the first kind of outlook and insure the realization of the second. The third kind of situation must be avoided. If by the end of the century, there is still no fundamental change in communications and transport, then the attainment of the strategic goal of economic construction will inevitably suffer.

### We Must Take Effective Measures to Develop Our Communications and Transport

/First, we must increase the proportion of investment in communications and transport, reform investment system, raise money through various channels, and improve the results of investment./ Investment in communications and transport should account for 17-18 percent of total investment in the national economy. Based on their position or role in the national economy and their scope of service, communications and transport projects should be built and taken charge of at different levels, central or regional. To make up for the deficiency in state investment, we should increase the rate of depreciation on fixed assets and apply the realized amount to buying or upgrading and improving transport means. In raising funds for highway construction, we

should, in line with the principle of imposing a burden on the beneficiary, properly raise the road toll levels and levy a surcharge on auto purchases. For newly built or rehabilitated high-standard highways and large bridges, we should charge a fee for passing over the highway or bridge. For certain communications and transport construction projects likely to yield more income, we should have recourse to the issuance of shares or bonds. Meanwhile, we should welcome foreign businessmen and overseas Chinese to invest and to provide loan money or get involved in joint operations.

/Second, given the improvement of economic results as a prerequisite, we should establish a comprehensive transport system which fits in with our national conditions and provides a rational structure./ In building communications and transport projects, we should pay attention to the national economy as a whole. We must proceed from transport as a whole and from the status quo in gradually establishing a technically advanced comprehensive transport system that allows a rational distribution of networks and a rational transport structure. Our various modes of transportation must be continuously promoted with vigor. But given overall planning for a comprehensive transport network as a prerequisite, we should arrange separate plans for development. In building a national comprehensive transport network, we must put the emphasis on energetically improving the capacity for the transport of energy, foreign trade commodities, and passengers. We must pay great attention to the development of highways, energetically develop the civil aviation industry, build up and utilize main routes along the coast and along inland rivers, and create the necessary pipelines for crude and refined oil. We must base the distribution of transport networks on the distribution of the national economy and on the transport needs of economic development. With improved economic results and social results in mind, we must also pay adequate attention to the coordinated development and rational use of various modes of transportation. The aim is to build a crisscross comprehensive network with trunk railway lines, highways, ocean shipping facilities and the Chang Jiang, the Zhu Jiang, the Grand Canal, and oil and gas pipelines as its backbone and with mutual links established between railway lines, water transportation, highways, civil airlines and pipelines.

/Third, we must rely on technical progress to gradually modernize communications and transport. In building communications and transport projects, we must put equal emphasis on new ones and on technical transformation. For some time to come, we must focus on technical transformation and gradually apply advanced and appropriate new technology and new equipment to the technical transformation of existing transport facilities and step up the pace of technical progress. The technical transformation of various modes of transport must be prompted by the aim of increasing transport capacity and improving economic results, with emphasis on some of them as a stimulation to technical progress as a whole.

/Fourth, we must improve the management system, strengthen the management of different trades, and enlarge the decisionmaking power of transport enterprises in their operations./ Administrative management should be separated from enterprise operation as two different functions. With the operating



power delegated, the administrative department should take no direct part in operating an enterprise. We must gradually reduce and integrate administrative organs in charge of various modes of transport and set up administrative organs that have unified control of communications and transport. Transport enterprises should coexist as different components of an economy, such as collective ownership, individual ownership, and so on with the main emphasis on the state owned economy. State, collective, and individual transport operators must go ahead with their operations at the same time. This is to allow the existence of more operators, create more means of transport, encourage competition, and prevent the practice of monopoly.

/Fifth, we must set up a technically advanced and powerful communications and transport industry and improve the technical level and the quality of products./ Communications and transport industries and communications and transport should be subjected to unified planning and coordinated development. While building new enterprises, we must at the same time strengthen the technical transformation of existing enterprises. In line with the principle of cooperation between specialized departments, we must make arrangements for enterprises, organize production, and enlarge production capacity. We must follow the road of combining self-reliance with the introduction of technology, and correctly handle the relations between the importation of equipment and the protection and maintenance of our country's communications and transportation industries.

/Sixth, we must energetically organize joint transport efforts, organize a trunk line joint transport network, and enlarge the scope for the joint transportation of goods in large quantities./ Technical equipment for joint transportation must be gradually linked up to form a whole. We must achieve serialization, standardization, and generalization, in order to establish a combined railroad and water transport line, with all links along the way joined up. For trunk and feeder line joint transport, we must strive to increase joint transport service stations for goods in transit and organize a joint transport service network. Meanwhile, we must actively develop containerized traffic and speed up the building of refrigeration transport facilities.

/Seventh, we must improve the quality of communications and transport workers./ We must properly run technical secondary schools and institutes of higher learning. To train skilled transport workers with comprehensive knowledge, the State should set up a comprehensive transport management college, or by 1990 select a comprehensive university to offer a comprehensive course in transport economy and management. By 2000 we must establish a college devoted to this field. We must strengthen education for on-the-job workers, to raise their scientific and technical level and improve their operating skills. We must raise workers' consciousness and cultivate a lofty sentiment in them.

In addition, the introduction of rational transportation carries great significance in saving transport capacity and improving comprehensive economic results. The State should pay attention to improving the pattern of distribution of industries, especially the energy and raw material industries. It should develop a comprehensive industrial base and turn a resources-rich area from a one-sided into a many-sided operator.



## NATIONAL POLICY AND ISSUES

### ZHANG JINGFU AT CONFERENCE ON TECHNICAL PROGRESS

OW251233 Beijing XINHUA Domestic Service in Chinese 1401 GMT 24 Nov 85

[Excerpts] Beijing, 24 Nov (XINHUA)--The third national conference on technical progress which opened in Beijing today called for resolutely implementing the policy of shifting the focus of construction on the technical transformation, rebuilding, and expansion of existing enterprises and of relying mainly on these enterprises to increase production.

State Councillor Zhang Jingfu spoke at today's meeting. He said: We must resolutely carry out reforms to enable enterprises to achieve technical progress. We must increase their vitality to priority basis, create the necessary conditions for them to tap their own potential.

Zhang Jingfu noted: The primary task of economic departments is to draw up a development plan for all trades and formulate a policy on technique, equipment, and technology on the basis of the requirements for boosting technical progress. Particular emphasis should be placed on transformation and extension projects on the basis of existing foundation. To promote technical progress, we should rely mainly on the method of "grafting." In this way we will be able to do more work without spending a lot of money. Henceforth, key enterprises should jointly develop major techniques and gradually form sound associations comprising production and scientific research; small and medium-sized enterprises, however, should promote technical progress through specialized cooperation.

Zhang Jingfu said: To help enterprises to achieve technical progress, we should start from the beginning. In other words, we should rely on the wisdom and creativity of the masses of workers and staff members and encourage them to make rational suggestions and start small-scale technical transformation. We should not underestimate the potential in this regard.

Lu Dong, minister in charge of the State Economic Commission, told the conference participants about some important suggestions made recently by leading comrades of the party Central Committee: All trades and enterprises must strive to produce new products that are good in quality and low in prices. He said: Practice has proven that only by accelerating the development of new products and new technology and only by adopting advanced technology, techniques, equipment, and management methods can enterprises

effectively improve the quality of their products, drastically reduce material consumption, and efficiently raise their economic results.

After introducing the outstanding achievements in technical progress scored by the enterprises during the period of the Sixth 5-Year Plan, Zhu Rongji, vice minister in charge of the State Economic Commission, noted that in the past few years China had gained considerable experience in promoting technical progress.

How to promote technical progress in 1986? Zhu Rongji offered a few suggestions: Give first priority to improving the quality of products; accelerate the technical transformation of large and medium-sized enterprises and those that can earn foreign exchange through exports; continue to do a good job in technology imports; concentrate on the work of tackling key problems in scientific research and technical development; strengthen macrocontrol; and make sure the work of importing technology is done well.

The main purpose of holding this conference is to sum up the achievements and experiences in the work of promoting technical progress in enterprises during the Sixth 5-Year Plan, to study and make arrangements for the work in 1986, to study problems concerning technical progress in large key enterprises and the acceleration of the work of applying and improving imported technology, and to discuss plans to develop advanced technology domestically in line with the proposal for formulating the Seventh 5-Year Plan.

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CSO: 4006/354

## NATIONAL POLICY AND ISSUES

### NATIONAL INVESTMENT POLICY FORUM ENDS IN BEIJING

OW251411 Beijing XINHUA Domestic Service in Chinese 1258 GMT 23 Nov 85

[Article by reporter Ge Daxing]

[Excerpts] Beijing, 23 Nov (XINHUA)--The national investment policy forum ended in Beijing today. The forum came to the conclusion that at present control over the scope of investments in fixed assets is a question of prime importance which has an important bearing on China's whole economic situation and future developments and that this question should be solved by instituting related policies and taking reformative measures.

In the history of new China's economic construction, deviation in the state's guiding ideology for economy in the 1950's and the 1970's led to serious overinvestment for three times. The scope of construction went beyond the state's limit in financial and material resources. As a result, we had to "slam the brakes on" our construction, and our economic losses were very large. At this forum, which was sponsored by the State Council's Development Research Center, the participants unanimously pointed out: The tendency of overinvestments in fixed assets over the past 2 years has been different from those in previous years. It appears at a time when reform is on the rise, the economy has become increasingly invigorated, and the state's financial and economic situation has fundamentally taken a turn for the better. It appears basically because we fail to carry out some necessary macromanagement policies and measures in good time while invigorating the economy. As a result, quite a few departments and units in many localities have improperly used the right authorized to make policy decision for investment. Their enthusiasm for investment lacks proper conditioning and guidance. The increase of the state extra-budgetary investments and investments not listed in plan for evaluation is too fast. In addition, the scope of projects under construction is too large.

To solve these new questions and characteristics which appear under the new circumstances, the forum held that to solve the question of overinvestments in fixed assets, we must no longer rely on the purely administrative measures such as "slam the brakes" and "demand uniformity in everything." Instead, it is necessary to uphold the general orientation of reform, strengthen and improve macromanagement not only in administration but also in policy and legislation, and exercise necessary control and readjustment. First of all

it is necessary to speed up the formulation of a complete set of investment policies. It is necessary to act in line with the party Central Committee's and the State Council's plan to actively and reliably put the current over-investment in fixed assets gradually under control and at the appropriate level.

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CSO: 4006/354



NATIONAL POLICY AND ISSUES

RENMIN RIBAO ON CONTROL OF INVESTMENT IN FIXED ASSETS

HK230818 Beijing RENMIN RIBAO in Chinese 11 Nov 85 p 5

/Article by Zhou Daojiong /0719 6670 3518/ and Tian Chunsheng /3944 2797 3932/:  
"Several Questions Concerning Control of the Scale of Investment in Fixed  
Assets"/

/Text/ In recent years, our national economy has developed in a sustained, stable, and coordinated way. We have also scored great success in investment in fixed assets. The problem is our scale of investment has been getting larger and larger since last year, which is quite beyond our country's financial and material capabilities. In its proposal for Seventh 5-Year Plan, the CPC Central Committee points out that we must keep a basic balance between supply and demand in general and that according to the financial capabilities of the state, we must try to maintain a balance among state finance, credits, materials, and foreign exchange. This is the fundamental condition for ensuring the correct proportion among the different branches of the economy, stable economic activities, and the smooth progress of the structural reform. The experiences in construction achieved by China and some socialist countries have repeatedly proved that the scale of construction must be in accord with the financial and material capabilities of the state. If the scale of construction is beyond the capabilities of the state, unstable factors, or even imbalances in the proportional relations, chaos, and retrogression will appear in the economy. This will adversely affect the stability of the political situation. If the scale of construction is in accord with the capabilities of the state, stable, sustained, and coordinated economic development will then be ensured. Since the founding of the people's republic, the scale of investment in our economic construction was expanded excessively on three occasions. Although the reasons and conditions for each excessive expansion were different, the national economy suffered inestimable losses as a result of the sudden fall immediately after the excessive rise. This is a profound historical lesson which we should never repeat.

Our brilliant successes scored during the period of the Sixth 5-Year Plan were inseparable from our efforts to ensure reasonable arrangements, and to control the scale of investment. In 1979, the CPC Central Committee put forward a guiding principle of readjustment, restructuring, rectification, and improvement. In 1980, our accumulation rate dropped to 31.6 percent from the 34.6 percent in the previous year. However, our scale of investment was still a bit too large.

At the end of 1980, our country made the decision on further readjusting the national economy. It explicitly pointed out that the eight-character guiding principle should be implemented, with emphasis on the readjustment of the economy. The key to the success of this guiding principle lay in streamlining the scale of capital construction. In 1981 investment in capital construction was 20 percent less than the previous year. The accumulation rate dropped to 28.5 percent. At that time, some comrades thought that the investment in capital construction was excessively reduced. What did the facts show later? It was precisely because of the great determination of the center to streamline the excessive investment scale that we achieved good results in that year. In 1981, the use rate of fixed assets was 86.6 percent, which was considered to be a fairly high level in history. During the period from 1981 to 1983, generally, generally speaking, our construction scale was roughly in accord with the capabilities of our country, although some rash advances were made in 1982. In addition, in recent years we have firmly grasped the weak points in our national economy, including energy, communications, raw and processed materials, light industry, and so on. This has enabled us to gradually rationalize our investment pattern. Our national economy has finally freed itself from its difficult position and embarked on the path of healthy development.

In 1984 and 1985, our scale of investment soared again. However, due to the fact that the situation in production was good and that we did adopt some measures, the intensification of contradictions as a result of the soaring scale of investment could be avoided. However, such excessively large investment and high accumulation were beyond the capabilities of our country. If we failed to change the situation, the smooth progress of our economic structural reform would certainly have been adversely affected.

The proposal of the CPC Central Committee for the Seventh 5-Year Plan points out that the amount of investment in fixed assets for 1986 and 1987 will remain roughly the same as in 1985. Under the prerequisite of controlling the overall scale of investment in fixed assets, we must strengthen the development of basic industries such as energy, transport, telecommunications, and raw and semifinished materials, and of the infrastructure. To implement this important policy decision of the central authorities, we believe that we should pay attention to solving the following problems:

1. We say that the amount of investment in fixed assets will remain the same as in 1985. This only refers to the annual amount of construction projects in progress. The annual amount of investment refers to the actual state investment in a year, and the amount of manpower, financial, and material resources invested by the state in construction in a year. The overall amount of construction projects in progress refers to the overall amount of investment needed to complete all those construction projects. It reflects the amount of manpower, financial, and material resources invested by the state in construction in a certain period of time. If the annual amount of construction is beyond the capabilities of the state in the year, this means that the annual amount of investment is too large. If the overall amount of construction projects in progress is beyond the capabilities of the state for a certain period of time, this means that the scale of investment of the state is excessively large.

Its influence over the national economy is more profound than the influence of an excessive annual amount of investment in construction. At present, our scale of investment scale is soaring excessively. But the expansion of the scale of construction is still larger. According to statistics, the scale of capital construction projects in progress at the end of 1984 was 300 percent higher than 5 years ago. To complete these construction projects, the capital construction investment for the entire period of the Seventh 5-Year Plan would be needed. If we fail to streamline the overall scale of capital construction and give up some projects, and if too many projects are carried out simultaneously, we can only spread "pepper" over those projects, because the annual amount of investment cannot be increased. The progress of various projects will thus be hindered. They will then be more dead than alive. Under such circumstances, how can we regain the initiative, and change the passive position resulting from an excessively large scale of investment; how can we enhance the results of investment? We should be clear about the fact that although the annual amount of investment should be maintained, this does not mean that the overall amount of projects in progress should remain unchanged. Instead it should be reduced.

2. With regard to the problem of readjusting the pattern of investment, the proposal for the Seventh 5-Year Plan explicitly stipulates that, under the prerequisite of maintaining the scale of investment for 1986 and 1987, we should integrate the readjustment of the investment pattern with reducing the overall amount of projects in progress. We should resolve to conscientiously sort out the construction projects in progress. We should stop, or postpone, a number of projects which are not urgently needed. Although some projects are needed, their economic results are poor and conditions for completing them are not yet available. Such projects should be stopped. With regard to new projects which belong to this category, we should adopt resolute measures to give them up in order to cut the overall amount of projects in progress. Only by giving up some projects can we make room for key projects including energy, transportation, communications, raw and processed materials, and so on. We should guarantee their completion in terms of funds, materials, and construction. Only through giving up some unnecessary projects and starting new and absolutely necessary projects can we improve the present irrational investment pattern. While readjusting the investment pattern, it is necessary for us to properly reduce some expanded projects. We should properly increase the number of technical reform projects for the existing enterprises. In recent years, only less than 40 percent of our investment in fixed assets has been devoted to technical reform. It is obviously on the low side of the figure. An even smaller investment has been made in economizing on raw and processed materials, improving industrial setups, and enhancing project quality. It is obvious that all this is not beneficial to fully tapping the potentials of the existing enterprises in production.

3. Bringing about an upswing in basic facilities and fundamental work is a key to ensuring the smooth development of the national economy. The present main contradiction is that the financial capability of the central authorities is not powerful enough. We should adopt the proper guiding principle of concentrating funds and transferring construction projects to the lower levels. On the one hand, while allowing enterprises to retain more profits after paying

taxes, the central authorities should properly increase financial revenues, or adopt other methods to concentrate funds to satisfy the demand of key construction projects. On the other hand, we should guide localities, departments, and enterprises to make more investments in key construction projects.

4. We should bolster the role of macroscopic readjustment in controlling the scale of investment. The following two measures are the key to success in maintaining the general balances among the overall needs of the society and basic supplies so that the scale of investment will be in accord with the capabilities of the state: 1) We should strengthen the planned readjustment. At present, state planning only covers projects in the budget, but not those outside the budget. It only pays attention to enterprises under ownership by the whole people, but neglects projects which are being carried out in the whole society. It only attaches importance to capital construction projects, but cares nothing about projects of renewal of equipment and technical reform. Only by knowing well the overall demand of the whole society for investments in fixed assets and making arrangements for investments which are in accord with the objective needs can we ensure a balance among finance, credits, materials, and foreign exchange. 2. We should strengthen the readjustment of funds. We should strengthen our control over funds for capital construction raised by the units concerned. We should follow the principle of examining the projects before allowing them to deposit the funds in the banks; allowing them to deposit the funds in the banks before approving the projects, and allowing them to use the funds only after approval. In the meantime, we should improve the management of bank credits. The present method wherein various banks may provide loans for investment in fixed assets should be changed. Business activities of various specialized banks might overlap, but confusion should be avoided. The matter of providing funds for capital construction and large-scale technical reform projects should be handled by the construction bank in a unified way. Under the prerequisite of implementing the state plans for investment in fixed assets and the state plans for finance and credits, the construction bank should give full play to its role in credit and interest rates in order to control well and vividly make use of funds, and enhance the results in using credit funds. Planning and funds are the two key factors in the management of the national economy. Governing these two factors well will be beneficial to controlling and enlivening the situation as a whole.

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PROVINCIAL AFFAIRS

SHANGHAI MUNICIPALITY REVENUE, EXPENDITURES REPORTED

Shanghai WEN HUI BAO in Chinese 1 Sep 85 p 1

[Article: "Shanghai Municipal People's Congress Standing Committee Holds Seventh Session; Hears Municipal Government Reports on Shanghai Municipality's Implementation of Plans and Fulfillment of Financial Revenue and Expenditures During First Half of 1985"]

[Text] On 31 August 1985, the Shanghai Municipal People's Congress Standing Committee held its Seventh session and heard municipal people's government reports on Shanghai Municipality's implementation of its 1985 national economic and social development plans and its fulfillment of its financial revenue and expenditures during the first half of 1985 as well as on views for its plans during the last half of 1985.

The Shanghai Municipal People's Congress Standing Committee chairman, Hu Lijiao [5170 4539 2403], chaired and its vice chairmen, Zhao Zukang [6392 4371 1660], Wang Tao [3769 3447], Ms Wu Ruo'an [0702 5387 1344], Tan Jiazhen [6151 1367 2823], Shu Wen [5289 2429] and Zuo Ying [1563 5391] attended the meeting. Vice mayors Zhu Zongbao [2612 1350 5508] and Ye Gongqi [0693 0361 3823], the Shanghai Municipal People's Higher Court president, Hua Liankui [5478 5114 1145], the Shanghai Municipal People's Procuratorate chief procurator, Wang Xing [3769 5281], and responsible people from relevant municipal government committees, offices and bureaus and people's congress standing committees in all districts and counties attended the meeting as nonvoting delegates.

When reporting on the implementation of its plans during the first half of 1985, the Municipal Planning Commission vice chairman, Li Gonghao [2621 0501 6275], said that Shanghai's 1985 economic conditions, as those throughout China, have been good. The gross national product [GNP] [as published] throughout Shanghai Municipality for the first half of 1985 reached 20.9 billion yuan, or a 14.5 percent increase over the same period in 1984, and fulfilled 51 percent of the annual plan. Of this, the GNP of tertiary industries increased approximately 20 percent. The social commodity retail trade turnover for the first half of 1985 increased 40.7 percent over the same period in 1984.

Li Gonghao said that throughout Shanghai Municipality during the first half of 1985, fixed-asset investment plans had been fulfilled quite well and

capital construction and technological transformation had increased 19.2 percent and 34.8 percent, respectively, over the same period in 1984. He said that during the last half of 1985, the scope of fixed-asset investment must be controlled strictly, credit regulations enforced rigorously, the scope of loans controlled, price management strengthened further, the unhealthy tendencies of indiscriminate price rises and fee collection curbed firmly, irrational consumer fund increases controlled strictly, the use of foreign exchange for imports controlled strictly, the creation of foreign exchange for exports increased, the production of famous-brand and high-quality commodities and those which are in short supply increased by all means and planning for markets done well.

The deputy director of Municipal Finance Bureau, Bao Youde [7637 0645 1795], reported that revenue for the first half of 1985 increased 13.9 percent over the same period in 1984, but that certain problems deserving consideration still exist in implementing the fiscal budget.

At the meeting, Vice Mayor Ye Gongqi gave a written report on a visit by a Shanghai Municipality goodwill mission to Piraeus, Greece and Gdansk Province, Poland.

The Shanghai Municipal People's Congress and the Municipal Government Construction Commission gave a report on the outcome of their deliberations on three delegate motions, which were handed over to them for deliberation by the presidium of the Third Session of the Eighth Municipal People's Congress. The meeting approved the report, regarded the three motions as representative proposals and turned them over to the relevant municipal government departments for handling.

The meeting also discussed and approved matters related to appointments and dismissals. It approved the appointment of Shen Minkang [3088 2404 1660] as the Shanghai Municipal People's Congress Standing Committee secretary general and Shi Shuhua [2457 0647 5478] and Zhu Hongxing [2612 7703 5281] as its deputy secretaries general and dismissed Shi Ping [2457 1627] from the post of Shanghai Municipal People's Congress Standing committee secretary general and Cai Beihua [5591 0554 5478] from that of its deputy secretary general. It decided to appoint and dismiss responsible people from related municipal government departments (the list of names to be published separately). It also appointed Gu Nianzu [7357 1819 4371] Shanghai Municipal People's Higher Court vice president and Judicial Commission committee member.

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PROVINCIAL AFFAIRS

SHANDONG URBAN HOUSING SITUATION IMPROVES

SK271014 Jinan DAZHONG RIBAO in Chinese 12 Nov 85 p 1

[Text] Housing conditions have improved during the Sixth 5-Year Plan period.

During the "Sixth 5-Year" Plan period, initial results have been achieved through the measures of the party and government for accelerating urban housing construction. Housing conditions for urban residents have improved. At the end of last year, the per-capita living space was 6.9 square meters, and it is expected to reach 7.1 square meters this year, increasing by 24.6 percent over the 1980's 5.7 square meters. By the end of 1984, households without houses had been basically eliminated, and the proportion of households with crowded living space and inconvenient living conditions among the total households surveyed had declined from 20.8 and 10 percent in 1981 to 10.9 and 6 percent, respectively. At the same time, the quality of housing has also improved to a fairly great extent. Many households have moved from low single-story houses to spacious, bright multi-story houses with fairly complete living facilities. By the end of 1984, tap water supply facilities had been installed basically in all urban households, of which 57.2 percent enjoyed private water supply facilities, and 3.3 percent of the households had a heating system installed.

Both the material and spiritual lives have been enriched.

Since the 3d Plenary Session of the 11th CPC Central Committee, people have strengthened the study of general and technological knowledge while promoting the building of the material civilization, and have properly participated in some culture and recreational activities. Following the establishment of general knowledge catch-up classes, night universities, correspondence and TV universities, and various recreational places, expenditures on books, newspapers and periodical purchases, tuition and cultural and recreational activities have also increased. In 1984 the per-capita spending on the purchases of books, newspapers, periodicals, stationery and [?] tuition and miscellaneous fees, and in cultural and recreational activities reached 12.5 yuan, and it is expected to reach 15 yuan this year, showing an increase of more than 100 percent over 1980. Machinery and electric consumer goods, such as televisions and recorders, have become the people's important indispensable tools for study.

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PROVINCIAL AFFAIRS

SOUTHWEST CHINA PROVINCES HOLD ECONOMIC COORDINATION MEETING

HK240401 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 23 Nov 85

[Text] An economic coordination discussion meeting of Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing was convened in Kunming on 23 November. Chongqing City, which presided at the second conference of these areas, also presided at this meeting. Representatives from the governments and departments concerned of these areas attended.

The economic coordination conference of these five areas, which were advocated by leading comrades of the CPC Central Committee and State Council, are a new thing that has appeared amid economic reform. Although this regional, open-style, and loose horizontal economic ties has only existed for something over 1 year, it has already fully displayed broad development prospects and played a major stimulating role in opening up the great Southwest.

In accordance with the conference's organizational principle of holding an annual gathering and taking turns to act as chairman, the first and second conferences were respectively held in Guiyang and Chongqing last year and this. They produced relatively good results. The third conference will be held in Kunming next spring, with Yunnan acting as chairman.

In order to do a good job in preparing for the conference, this discussion meeting will exchange views on relevant issues in the spirit of the State Council's comments on the report of the second economic coordination conference of the five areas. It will also further study and firm up the economic and technological cooperation projects agreed by the second conference.

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## PROVINCIAL AFFAIRS

### SHAANXI'S LI QINGWEI, SUN DAREN INSPECT WORK OF COUNTIES

HK261314 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 25 Nov 85

[Text] From 19 to 24 November, Li Qingwei, deputy secretary of the provincial CPC Committee and governor; and Sun Daren, vice governor, visited one after another Fufeng, Fengxian and Linyou counties of Baoji City; as well as Binxian, Xunyi, Chunhua and Jingyang counties of Xianyang City. They inspected the work of these counties.

After inspecting the actual situation of factories and schools of the rural areas, Governor Li Qingwei pointed out that at present, both the political and economic situation of these localities are very good. Furthermore, they have great potential for further development. Cadres at various levels must understand and propagate this situation, so as to promote their work in various areas.

At a forum of city and county comrades, Comrade Li Qingwei stressed that party and government leadership at various levels must uphold the practice of focusing on the economic work while promoting the work in other areas. Various sectors and trades must arrange their work by focusing on the invigoration of the local economy. By suiting measures to local conditions, prefectures and counties should follow the guiding principle of giving instructions, grasping the focal point and giving play to advantages in order to develop the economy. These counties have abundant natural resources both on and under the ground surface. They should greatly develop the farming and breeding industries, such as the production of timber, fruits, oils, flue-cured tobacco, medicine, cattle, sheep and rabbits. They should also greatly develop industries run by counties, as well as town and township enterprises. They may engage in building materials, food processing, and brewing beer. They may also mobilize the masses to run mines, to form construction teams and so on.

After basically solving the problem of having insufficient food to eat and clothes to wear, we should attach great importance to readjusting the economic structure and grasp well the increase in certain areas, namely increasing the proportion of income from diversified operations in the agricultural output value in the course of increasing the grain output value, and increasing the proportion of the industrial output value in the gross industrial and agricultural output value. Only when we increase these two proportions can

our commodity economy be greatly developed, and can we expedite the pace of attaining prosperity.

He urged the government at various levels to organize several groups for grasping economic work in the form of division of labor and assigning responsibility to individuals. They should grasp this for years so as to achieve results. They should strengthen grassroots construction, give play to the roles of grassroots units, and improve the fighting capacity of party branches. Cadres at various levels must pay close attention to the livelihood of the masses, solicit their opinions and demands, and lead them to attain prosperity through scientific means. In particular, the cadres must help those people who are still poor take the road leading to common prosperity.

In order to solve the problem that the mountainous areas lack a large number of technological personnel, various localities must greatly develop local qualified personnel. They should select youths who have a fairly high level of education. Through training in practical work, they should cultivate a large number of technological personnel so as to develop and build the mountainous areas by striking root in the mountainous areas.

Furthermore, Comrade Li Qingwei stressed: We must adopt the policy of helping the old and poor areas in southern, northern and central Shaanxi. Various provincial departments must seriously implement this. They should realize this by offering help in the areas of capital, loans, materials, technology and qualified personnel.

Comrades Li Qingwei and Sun Daren also attached great importance to the treatment and prevention of local endemic disease in the mountainous areas. They urged the local government to adopt active measures and to integrate treatment with prevention of the disease by improving water supply and living conditions. Cadres at various levels must cherish the rich people while helping the poor ones. They must help the masses ease their sufferings.

Comrades Li Qingwei and Sun Daren also inspected the tombs built before the Qin Dynasty in Fengxiang County, the relics of Jincheng Palace in Linyou County, the Buddhist temple in Binxian County, and the relics of (Zhangjiashan) irrigation canal in Jingyang County, which diverted water from the Jinghui River in the past dynasties. They held that these cultural relics were very valuable, and were major resources for developing the province's tourism. They repeatedly enjoined the responsible comrades of the prefecture and counties to strengthen their work of protection and to expedite their pace for developing them.

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## PROVINCIAL AFFAIRS

### GOVERNOR ADDRESSES AUDITING WORK CONFERENCE

SK240555 Jinan Shandong Provincial Service in Mandarin 2300 GMT 21 Nov 85

[Excerpts] The provincial auditing work conference opened in Jinan on 21 November. In his speech, Li Changan, deputy secretary of the provincial CPC Committee and governor of the province, stressed the necessity of creating a new situation in the provincial auditing work in order to make the auditing work better serve the economic structural reform and the four modernizations.

With regard to continually strengthening the building of auditing organizations, Comrade Li Changan pointed out: We now are faced with a new task, that is, to strengthen supervision over auditing work and perfect the system of directly controlling the macroeconomy. The socialist auditing system consists of three aspects--the state auditing organs, the auditing work within departments and units, and the auditing work among the civilians. Being the main body or part of the auditing system, the state auditing organs must be strengthened, first of all. At present, the state auditing organs in the province are not good enough in terms of their organizations, are backward in professional quality, and are far from meeting the demands of the development of the current situation. All these problems must be solved as soon as possible. All prefectures and cities should conduct special study and strive to rapidly fill vacancies and newly added positions or quotas in auditing departments.

In his speech, Comrade Li Changan called on auditing departments to focus their work on serving economic construction in line with the instructions of leading comrades among the central authorities. In the period to come, auditing work should be aimed at solving prominent problems in the economic activities of our province. First, in line with the principle of maintaining a basic balance between the total demand and the total supply, we should strengthen auditing work over the investment in fixed assets and the consumption funds in order to control the growth of gross social demand. Second, we should conduct auditing and supervision over the financial work and banks in a planned and step-by-step manner. Third, we should conduct auditing work mainly among those departments that have experienced relatively serious cases of poor management, causing losses and waste and violating financial and economic discipline. Fourth, we should pay special attention to auditing those departments and individuals that undermine the foundation of the state, seek personal gain, and continue to indulge in the new evil trends under the

signboard of reform, and impose severe punishment on them after ascertaining the facts in order to effect a fundamental turn for the better in party style and social atmosphere.

Li Farong, secretary of the provincial Discipline Inspection Commission, also spoke at the conference.

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PROVINCIAL AFFAIRS

SHANDONG SPENDING ON CONSUMER GOODS INCREASES MARKEDLY

SK270956 Jinan DAZHONG RIBAO in Chinese 11 Nov 85 p 1

[Text] During the period of the Sixth 5-Year Plan, the spending on consumer goods has increased markedly, and, in particular, spending on durable consumer goods has increased by a still wider margin.

In 1984 per-capita spending on articles of all kinds amounted to 82 yuan; while in 1985 this figure will probably reach 120 yuan, an increase of 63.16 yuan, or 90 percent, over 1980. [all figures as published] In 1984, the per-capita spending of urban residents on articles for daily use came to 48.14 yuan, an increase of 36.94 yuan--330 percent--over 1980. Spending for mechanical and electrical consumer goods have increased by a relatively wide margin. The "old four articles"--bicycles, sewing machines, wrist watches and radio sets--have moved from the situation of being basically universal to one of being completely universal. Purchases of the "new four articles"--black-and-white television sets, tape recorders, electric fans and washing machines--have doubled and redoubled, and basically have been popularized. Some high-grade durable consumer goods such as electric refrigerators and color televisions have also begun to enter urban households. In 1984 in each 100 urban households, the number of black-and-white televisions came to 83, a 2.1-fold increase over 1980; that of tape recorders came to 44, a 6.9-fold increase; that of electric fans came to 70, a 6.3-fold increase; and that of washing machines came to 46, a 7.2-fold increase. Color televisions and electric refrigerators have grown from nothing. In 1984 each 100 households owned 9 color television sets and 2 electric refrigerators. Now durable consumer goods for family use are developing towards electrification.

During the period of the Sixth 5-Year Plan, people's clothing have developed from low grade and unitary style to middle and high grades and varied styles.

In 1984 the per-capita spending on clothing by urban residents came to 85 yuan; while in 1985 this figure will probably reach 105 yuan, a 77-percent increase over 1980, and showing a yearly average increase of 12.1 percent. The improvement in the living standards has made the sales of cotton and cotton clothes decline somewhat and those of expensive chemical fiber cloth, woolen piece goods, silks and satins, and silk and satin clothings doubled and redoubled.

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## PROVINCIAL AFFAIRS

### GUANGDONG STEADILY DEVELOPS, CONTRIBUTES TO NATIONAL ECONOMY

HK221153 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 22 Nov 85

[Text] During the Sixth 5-Year Plan period, the province implemented the special policies and flexible measures entrusted by the central authorities. It actively promoted reforms of the economic structure, so that the province's industrial front gained vitality and became brisk. Therefore, the national economy was developed in a coordinated, balanced and steady way.

According to statistics, between 1980 and 1984, the province's gross industrial output value increased annually by 13.1 percent on average. It is estimated that the average figure for annual growth during the period was 15 to 16 percent.

The province's reform of the industrial structure was started by introducing the economic responsibility system, which focuses on contracts. Later, following the state's instructions, the province carried out the second stage work of substituting profits by tax delivery. Such a distribution system which integrates responsibility, authority and rights has effectively solved problems concerning the interests of workers, enterprises and the state. At the same time, a number of production enterprises were established in various forms in the province. They include the 75 industry-export enterprises, whose direct export business has been approved by the provincial government, large enterprises which have established extensive economic and technological links with other areas, Chinese-foreign joint ventures, enterprises engaging in processing with imported materials, and so on.

At present, the competent departments from provincial to city and prefectural levels discarded the old method of directly controlling the production of enterprises. They have gradually switched to the method of indirectly and macroscopically controlling production, and serving the enterprises in the areas of planning and cooperation. They streamlined the organization, and decentralized the decisionmaking power to the lower level. Consequently, enterprises gained vitality and their economic results were improved. In 1984, the province's output value, profits and tax delivery of budgetary state-run enterprises were increased by about 26 percent compared to the previous year. The situation was further improved between January and October this year.

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PROVINCIAL AFFAIRS

LIAONING'S INDUSTRY DEVELOPED RAPIDLY IN 5-YEAR PLAN PERIOD

SK270635 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 6 Nov 85

[Text] During the period of the Sixth 5-Year Plan, the province's industrial production has developed vigorously. In the first 10 months of this year the province's total industrial output value reached 54.163 billion yuan. From 1981 to 1985 the province's total industrial output value has increased at an average rate of 7.6 percent annually, which is higher than the goal of ensuring a 4-percent increase and striving for a 5-percent increase as demanded by the Sixth 5-Year Plan. Of the 59 major industrial products covered by the Sixth 5-Year Plan, 34 had their 1985 output plan prefulfilled.

During the Sixth 5-Year Plan period, industrial enterprises in the province have carried out readjustment and restructure, and implemented the strategic principle of reform, renovation, development, and opening to the outside world. As a result, the growth rate of industrial production has been accelerated year after year, heavy and light industries have developed in good proportion, and the urban and rural collective industries have become prosperous. This year, the province's total output value in light industry is estimated at 23 billion yuan, a 64.6-percent increase over the year just before the beginning of the Sixth 5-Year Plan. From 1981 to 1985, the average annual increase rate of light industry has been higher than that of heavy industry, and out of such expensive durable goods as televisions, tape recorders, washing machines, electric refrigerators, and electric fans has doubled and redoubled.

Through readjusting the product mix and expanding the service realm, the heavy industry of our province has exploited its favorable conditions in terms of ensuring the construction of state key projects and serving national economic construction. In the first 4 years of the Sixth 5-Year Plan, the number of the province's collective-owned industrial enterprises showed a yearly average increase of 12.8 percent; that of township-run industrial enterprises showed a yearly average increase of 11.8 percent; and that of individually run industrial enterprises increased from 7,473 in 1980 to 24,900 in 1985, with the output value increasing by 18 times.

During the Sixth 5-Year Plan period, thanks to imports, assimilation, and mastery of foreign technologies and technical transformation, the variety and output of products have increased and the quality of products has been improved constantly. From 1981 to 1984, the province's industrial products won 237 gold and silver medals from the state, and 771 awards from ministries.

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PROVINCIAL AFFAIRS

SHAANXI PROMOTES INDUSTRIAL, COMMUNICATION PRODUCTION

HK221025 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 21 Nov 85

[Text] Since the beginning of this year, the province's industrial and communication production has been developing in a coordinated way so that economic results are greatly improved. By the end of October, compared to the same period last year, the gross industrial output value was increased by 20 percent. Of the figure, the output value of heavy industry increased by 21.9 percent; whereas that of light industry increased by 17.9 percent. The development of heavy and light industries have gradually become coordinated. The past situation in which the growth rate of light industry fell far behind that of heavy industry has been greatly improved. Since the products are marketable, supply basically meets the market demand. From January to October, the budgetary output value of industrial enterprises increased by 15.73 percent compared to the same period last year. The growth rate of sales revenue was 21.48 percent. The growth rate of realized profits was 25.4 percent and the increase rate of profits and tax delivery was 20.7 percent. Therefore, the output value, sales revenue, realized profits, and profits and tax delivery increased simultaneously.

In order to grasp well industrial production in November and December, the provincial government held yesterday afternoon a meeting on production management. The meeting proposed specific requirements for arranging work this winter and spring. The requirements are: leadership of various enterprises should overcome the slack mood and try all means to accomplish the goals proposed by this year's meeting on economic work. They should grasp firmly product quality and reduce the consumption of raw materials and production costs. The meeting also urged all production departments to seriously do well in the key projects of capital construction and technological transformation, and continue to grasp the coordinated production of 20 key products. They should also strive to help major enterprises suffering over 500,000 yuan of losses cut the deficit, and actively plan and prepare well next year's production work.

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## PROVINCIAL AFFAIRS

### GUANGDONG HOLDS MEETING ON EXTERNAL ECONOMIC WORK

HK250715 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 25 Nov 85

[Text] According to NANFANG RIBAO, the second provincial conference on external economic relations and on planning for the open economic zone in the Zhujiang Delta was convened in Foshan on 23 November. Vice Governor Yu Fei stressed: We must sum up experiences and strive for new development in Guangdong's import and export trade.

Over 300 people are attending the meeting, including responsible comrades of cities and prefectures and of external economic relations and trade departments.

Comrade Yu Fei said: In accordance with the needs of state construction during the Seventh 5-Year Plan, Guangdong is shouldering a particularly important task in developing import and export trade and in using foreign investment and importing technology. We must sum up our fresh experiences, work to open up international markets, spur reforms in the foreign trade structure, make more foreign exchange and use it well, and strive for a new development in our import and export trade and in our use of foreign investment during the Seventh 5-Year Plan.

Comrade Yu Fei pointed out: We should get a firm grasp of the cardinal link--reform of the foreign trade structure--in arranging all of external economic relations and trade work. He stressed: We must focus on the following points: 1) Change the export commodity mix. Production should be arranged in the order trade - industry - agriculture, and be aimed at entering the international market. 2) Readjust the pattern of export commodity production. In exporting agricultural and sideline products, we should institute the practice of having the best areas and fixed points of the main producing areas exporting the most. In industrial exports, we should institute the practice of having these produced at set factories, putting the business up for public tender, and assessing the best. 3) Readjust the operational structure to ensure that output is truly linked to sales. 4) Readjust the market pattern, face the world market, gradually launch internationalized operations, and open up a variety of new trade methods. 5) Adopt policy measures for encouraging exports.

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PROVINCIAL AFFAIRS

XIANG NAN BRIEFS FOREIGN GUESTS ON FUJIAN ECONOMY

OW240135 Fuzhou FUJIAN RIRAO in Chinese 2 Nov 85 p 1

[Dispatch by Xu Yaohua]

[Text] Two groups of foreign envoys and diplomats in China and their wives came to Fujian for visit at the invitation of the provincial government.

The first group, consisting of envoys and diplomats from 37 countries stationed in China and their wives, totaling some 60 people, arrived in Fuzhou on the morning of 1 November in the company of Gong Dafei, advisor to the Ministry of Foreign Affairs. They were met at the airport by Chen Binfan, vice governor of Fujian, Zhuang Nanfang, deputy secretary-general of the provincial government; Tian You, director of the provincial foreign affairs office; and Peng Shicheng, vice mayor of Fuzhou City. In the afternoon, the guests went in separate groups to visit the Fuzhou Arts and Crafts Carving Factory, the Fuzhou No 1 Hollow Lacquerware Factory, the Fuzhou No 3 Plastic Plant, and the Naike Tennis Shoe Factory.

In the evening, Xiang Nan, secretary of the provincial CPC Committee met with the guests in the provincial government building. He briefed the guests on Fujian's achievements in developing its economy since the implementation of the policy of opening to the outside world and answered the questions asked by some of the guests. Xiang Nan said: In the past few years we have scored relatively significant achievements. This is attributable to the correctness of our policy and the efforts made by all people in our province. Another factor contributing to the achievements is the assistance and support from various friendly countries in the world. This is the first time that so many foreign envoys and diplomats stationed in China have come to Fujian. The Fujian people are pleased with this, which is a result of the implementation of the policy of opening to the outside world. He stressed: Our policy of opening to the outside world is firm and will not change. Fujian's door will open wider and wider.

The meetings was followed by a banquet hosted by Xiang Nan and Chen Binfan for the guests. Among those attending the meeting and banquet were Wen Fushan, Yuan Qitong, Zhuang Nanfang, and Tian You.

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PROVINCIAL AFFAIRS

HUNAN MEETING ANALYZES INDUSTRIAL SITUATION

HK250627 Changsha Hunan Provincial Service in Mandarin 2300 GMT 24 Nov 85

[Text] According to HUNAN RIBAO, at a recent provincial forum to analyze the situation in industry and communications, Vice Governor Yu Haichao proposed that the guiding idea for industry and communications next year should be to improve product quality, lower material input, and maintain appropriate growth rate.

On the current economic situation, Vice Governor Yu Haichao said: The situation in industry and communications this year is one of the best in recent years. Most economic and technological targets have been fulfilled better than in any year since 1978. He proceeded to analyze many favorable conditions for industry and communications production next year.

Vice Governor Yu stressed that the key to next year's production is to improve quality and reduce input consumption. These two items must be the focus of all work in the enterprises, but it economic responsibility systems, technological transformation, technology imports, reforms, or consolidation. This is for the purpose of improving product competitiveness and the digestive capacity of the enterprises, so as to achieve a relatively big improvement in economic results next year.

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PROVINCIAL AFFAIRS

BRIEFS

NEI MONGGOL TOWNSHIP ENTERPRISES--From January to September of 1985, the total output value of the township- and town-run enterprises in Nei Monggol Autonomous Region reached 1.14 billion yuan, an increase of 13.8 percent over the total figure of 1984. These enterprises handed over more than 38 million yuan in taxes to the state in this period. [Summary] [Hohhot NEIMENGGU RIBAO in Chinese 9 Nov 85 p 1 SK] /9599

TIANJIN LIVING STANDARDS--During the Sixth 5-Year Plan period, the average per-capita annual income for living expenses of the urban residents in Tianjin showed an increase of 7.1 percent. The average per-capita income of the people in 1985 is estimated at about 800 yuan, showing an increase of 41 percent over 1980 if the price readjustment is excluded. The proportion of staple foods dropped from 35 to 25 percent. In 1985, the consumption of beef and mutton, fresh eggs and poultry is expected to increase by 35 percent, 120 percent, and 150 percent respectively over 1980. During the 1980-1985 period, each household spent an average of 1,000 yuan in durable consumer goods, and the average per capita savings deposits reached 210 yuan. [Summary] [Tianjin TIANJIN RIBAO in Chinese 10 Nov 85 p 1 SK] /9599

SHANGHAI'S FACTORIES VISITED--According to a JIEFANG RIBAO report, Comrade Rui Xingwen, secretary of the municipal party committee, visited the Shanghai down garment factory on the morning of 19 November. He viewed down garments for exports at workshops and encouraged the workers to design more variety of garments in order to earn more foreign exchange for the state and provide more beautiful clothings for the people. Earlier, Comrade Rui Xingwen visited No 2 Shanghai cotton mill on 18 November for briefing by the mill and (Yejin) electrical engineering goods factory. On 19 November, he visited No 1, No 2, and No 4 Shanghai knitwear factories to familiarize himself with the production there. [Text] [Shanghai City Service in Mandarin 2300 GMT 20 Nov 85] /9599

CONFERENCE ON MOUNTAINOUS AREAS--The provincial conference on the work of mountainous areas held today a session at which representatives from 14 outstanding counties and districts of the province reported their experiences in getting rich by developing the areas' natural resources. Principal responsible comrades of the provincial CPC Committee and government, including Lin Ruo, Ye Xuanping and Guo Rongchang and Lin Botang, attended the session and listened to the reports. These outstanding counties and districts share a



common characteristic, that is they gave full play to the advantages of the areas. Acting in the spirit of self-reliance and struggling hard, they worked in a down-to-earth manner. Since they lived off the mountains, they actively planted trees, grew fruits and diversified the economy, so that the mountainous areas have basically put an end to the backward situation. [Excerpts] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 25 Nov 85] /9599

**HENAN'S INDUSTRIAL OUTPUT**--During the period of Sixth 5-Year Plan, the province's capital construction front successfully implemented the economic responsibility system. During the period, the province built houses totalling 28 million square meters in area and completed over 7,800 projects. The province also increased the production capacity of its industries. They included 5.33 million tons of coal, 4.7 million tons of oil, over 610,000 kilowatt of installed generation capacity, 2.32 million cartons of plate glass, and 13,000 tons of spare parts for power, communications and enterprises. The principal indices for judging the results of investment in capital construction are that compared to the Fifth 5-Year Plan; the rate of fixed assets being put into operation was increased by 10.87 percent; and the rate of completing new houses was increased by 5.1 percent. [Summary] [Zhengzhou Henan Provincial Service in 1030 GMT 19 Nov 85 HK] /9599

CSO: 4006/354

ECONOMIC PLANNING

CHINA PREPARES TO LAUNCH SECOND INDUSTRIAL SURVEY

OW301712 Beijing XINHUA in English 1434 GMT 30 Nov 85

[Text] Beijing, 30 Nov (XINHUA)—China is getting ready to launch its second nationwide industrial survey next year, according to a circular issued by the general office of the state council this week.

The office noted that preparatory work over the past two years has made it possible to start the survey early in 1986.

The survey will record the amounts, capacities, utilization rate, service life and energy consumption of industrial equipment. It will also investigate fixed assets and economic results, including net output value, consumption of raw materials, production costs, and profits and taxes.

The survey will be much more comprehensive than the first one, which was undertaken in 1950, it said.

It called on leaders of local governments, responsible departments, and industrial enterprises to cooperate actively with the survey, as it is vital for China's policy-making, economic reforms, enterprise retooling, and improvement of the management of industrial enterprises.

China will spend three years surveying more than 400,000 urban industrial enterprises and collecting various kinds of data from more than one million rural industrial units.

The survey will cover not only state-owned enterprises and collective and rural enterprises, but also industrial enterprises with exclusive foreign funds and joint ventures. It will also cover enterprises run by villages and individuals.

The office pointed out that preparatory work in a few localities and departments is still not satisfactory and needs improving.

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CSO: 4020/113

## ECONOMIC MANAGEMENT

### ECONOMIC COOPERATION BETWEEN ZHEJIANG, 28 PROVINCES CARRIED OUT

Hangzhou ZHEJIANG RIBAO in Chinese 2 Oct 85 p 1

[Article by Ren Ruizhen [0117 3843 3791]: "Zhejiang Province Carries Out Horizontal Economic Cooperation with 28 Provinces and Municipalities; Signs Contracts for Over 1,000 Cooperative Technical Projects"]

[Text] Zhejiang Province is developing horizontal economic cooperation in depth with all areas throughout China. At present, we have established various forms of cooperative relations with 28 provinces, municipalities and autonomous regions and all CPC Central Committee and State Council departments.

One of Zhejiang Province's distinct characteristics in developing economic cooperation is that we have changed from simple goods and materials cooperation to "four-in-one" overall cooperation in goods and materials, funds, technology and personnel. Over the past 2 years, all areas in Zhejiang Province have used forms such as exporting technology in exchange for over 80 kinds of raw and processed materials and fuels which were in short supply. Of these, 9.2 million tons of coal and over 500,000 tons of steel products constitute over 40 percent of our total local usage of both coal and steel products. We have also made major breakthroughs in technical, fund and personnel cooperation. Twenty percent of the over 1,000 cooperative technical projects, which Zhejiang Province signed contracts for with various areas throughout China during the first half of 1985, have produced the desired results. Throughout Zhejiang Province, 35 prefectures, cities and counties have established personnel-exchange centers which have transferred and imported over 2,200 people with specialized talents of all types. Zhejiang Province has also established agreements with 18 provinces and municipalities to mutually train college students, and over 1,300 college students have been mutually trained during the past 2 years. In addition, Zhejiang Province has also begun to establish economic cooperation with strong, large-scale enterprises throughout China and with all CPC Central Committee and State Council departments. Recently, the Capital Iron and Steel Corp has decided to invest almost 200 million yuan in Zhejiang Province to cooperatively run two steel mills and, through cooperative relations, the Daqing Oilfield has also prepared to regularly provide Jiaxing City with gasoline and heavy oil in order to alleviate Zhejiang Province's iron and steel and energy resource shortages.

Another of Zhejiang Province's distinct characteristics in developing economic cooperation is that we have expanded it from economically developed cities to economically backward mountain areas. By now, all prefectures, cities, counties and economic business departments throughout Zhejiang Province have established an economic cooperation system network. Previously inaccessible prefectures, such as Jinhua and Lishui, particularly, have now made great improvements. Since 1984, Lishui Prefecture has established cooperative relations with 22 provinces and municipalities and cooperated on 347 projects. Of these projects which were put into operation during the first half of 1985 alone, increased output value topped 35 million yuan and increased taxes and profits reached 4.2 million yuan.

12267/12947

CSO: 4006/153



ECONOMIC MANAGEMENT

AUDITING SUPERVISION SERVICE TO ECONOMIC REFORM REQUIRED

Beijing RENMIN RIBAO in Chinese 4 Oct 85 p 5

[Article by Ling Zuyou [0407 4371 0147] and Gao Qi [7559 1142]: "Auditing Supervision Must Serve Economic Reform"]

[Text] Auditing supervision is an important task for a modern country and a major part of its work in carrying out its economic management and supervision functions. China's constitution stipulates the establishment of auditing organs and the implementation of an auditing supervision system in the State Council and in local governments at all levels above the county. Auditing organs represent the state in auditing the state-owned economy and financial and banking departments at all levels in order to improve state supervision of financial revenue and expenditure activity. This is necessary for socialist modernization in the new historical period and an important way to carry out economic reform and strengthen the socialist legal system.

At present, economic system reform focused on the cities is being carried out step by step and overall economic conditions are very good. Under these new conditions, we must improve economic control methods to reduce administrative control of economic work and establish an effective indirect control system to reduce direct control in order to ensure the successful and healthy development of economic reform and construction. Auditing supervision is in the realm of indirect control, an indispensable and important aspect of improving management and supervision and an important way to ensure the successful accomplishment of the policy of opening to the world and invigorating the domestic economy. At present, auditing work must be combined closely with economic reform, exercise its auditing supervision power legally and independently and serve economic reform directly.

The major tasks of auditing supervision work in economic system reform are upholding financial and economic discipline, supervising enterprise institutions and administrative departments in correctly handling the distribution relations between the state, units and individuals and protecting the interests of the state and the people. At present, there are two widespread types of financial and economic discipline violations. They are practicing fraud and exploiting reform loopholes. These undermine state revenue, oppose the masses and work for the interests of small groups and individuals. They are basically different in nature from certain improper steps caused by a lack of reform experience. Auditing supervision should regard investigating and

correcting these activities as its work priority, stress carrying major cases through to the end, enforce the law impartially and deal with violations severely. Moreover, it should make comprehensive analyses of problems which arise in auditing work and suggestions to concerned responsible departments on ways to improve management and reform.

The goals of economic system reform are reforming the management system which hampers development of the productive forces, increasing enterprise vitality, promoting development of the productive forces and improving economic results. Auditing supervision should focus on the active development of these central economic work tasks. Through auditing the financial revenue and expenditures of enterprises, it must discover or propose views on combating losses and waste, improving management and administration, tapping potentialities and improving economic results. It not only must audit all enterprises and make objective evaluations of their economic results, but also should audit in a planned way certain individual units of different types in every industry and make horizontal and vertical comparative analyses and suggestions on improving economic results throughout the industry. Thus, it will do a better job of playing its auditing supervision role in the area of promoting improvement of economic results, increases in revenue and savings on expenditures. Auditing of economic results is necessary for the development of China's economic construction and also a common auditing work development trend in all countries throughout the world. But it involves many problems and requires that auditors have quite high financial accounting professional standards and extensive economic management knowledge. We still lack experience in this area and should conduct active experiments and constantly summarize improvements in order to adapt to economic construction development needs.

China has a planned socialist commodity economy. Along with microeconomic invigoration, we must objectively improve macroeconomic control and management. As an important part of the indirect control system, auditing supervision work should play an active role in this area. This is a characteristic of China's auditing supervision work which is the same as that in capitalist countries. In the current economic reforms, improving control and management of consumer fund increases, the scope of capital construction investment and credit fund input will be of major significance in carrying out economic construction in a planned way. Through microeconomic auditing and particularly through overall and systematic auditing in a planned way of an industry or a special fund, auditing supervision should discover tendentious and widely significant problems. From a macroeconomic perspective, it should make analytical studies and suggestions on improving management and rules and regulations in order to ensure that financial and economic activity is carried out step by step and in an orderly way.

In order to fully develop the role of auditing supervision in economic reform and enable auditing organs to fulfill the duties and functions bestowed on them by the constitution, the auditing organ management system should be improved and the organizational system should ensure that auditing organs exercise their functions and powers legally. Local auditing work should adopt a leadership system in which higher auditing organs and local governments

share the leadership but higher auditing organs are the dominant factor. Auditing organs should set up agencies which are directly responsible to them in priority enterprises and areas.

More than 150 countries throughout the world have auditing organs and it should be noted that there is much experience which we can use for reference. But how to carry out this system under China's socialist system is still a brand new problem. We should proceed from China's actual conditions, free ourselves from old ideas, explore actively and through the practice of serving economic reform, gradually establish a socialist auditing supervision system with distinct Chinese characteristics.

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CSO: 4006/153

ECONOMIC MANAGEMENT

BOTH ECONOMIC DEVELOPMENT SPEED, RESULTS REQUIRED

Hefei ANHUI RIBAO in Chinese 20 Sep 85 p 2

[Article by Chen Younian [7115 1635 1628]: "Economic Development Must Combine Speed with Results"]

[Text] The problem of speed versus results is an old problem but also a new one. In the past, as soon as we stressed speed, we neglected results, and when we stressed results, it also seemed that we could not have high speed. The two were very difficult to combine. But the objective requirements of the four modernizations are both high speed and good results. Practice has proved that provided policies are carried out, leadership and management are improved macrocosmically and liberalization and invigoration are carried out microcosmically, speed and results will be able to be combined.

In 1985, Anhui Province's economic conditions have been encouraging, our industrial business production has increased continuously and steadily and our economic results have improved clearly. From January to April 1985, the gross industrial output value of our budgeted state-run industrial enterprises increased 18.5 percent and their realized taxes and profits increased 25.4 percent over the same period of 1984. Moreover, the amount of our enterprise losses decreased by 5.43 million yuan, 32.9 percent of our deficits were made up and the extent of our losses decreased from 1984's 15.35 percent to 12.17 percent. This shows that speed and results have been basically combined in Anhui Province's industrial production.

Anhui Province's present good economic conditions have been brought about by the following factors: (1) during the same period in 1984, snowstorms caused our output value base to be low; (2) economic system reforms focused on the cities have been promoted vigorously; (3) premised on improving economic results, we have objectively required the acceleration of Anhui Province's industrial development rate; (4) valid social needs have spurred high-speed production developments. Of these four factors, the second is the most important, since the reforms have increased enterprise vitality, promoted commodity circulation and created a situation in which markets are prosperous and buying and selling is brisk. Of course, certain serious restricting factors still exist in our economic development. The development rate of our energy resources, communications and raw and processed materials has been unable to keep up with that of our overall industrial production. The reappearance of a seller's market has been unfavorable to the improvement



of economic results and prices have risen, creating a financial situation of "nominal revenue and actual expenditures."

Due to the existence of the above restricting factors, it looks as if a parabolic pattern will appear in both our industrial growth rate and our economic results growth for June 1985 and particularly during the last half of 1985, i.e., monthly decreases during the latter part of the second quarter and the third quarter and increases again during the fourth quarter. Thus, our 1985 industrial growth rate can be kept above 20 percent. In order to maintain good results with high speed, we think we should take the following steps: (1) macroscopically, we must concentrate our financial and material resources, vigorously develop our energy resource, communications and raw and processed materials industries and speed up construction of our pit power stations and multiple-track railways; (2) we must firmly reduce the scope of capital construction, change "long lines" into "short lines" and guarantee key construction projects; moreover, leaders at all levels must establish the three general economic concepts of time, interest and input-output and not reopen new fixed-asset investment outlets; they should also use the tax rate regulator to regulate capital construction loans and use the method of combining administrative and economic measures to achieve the goal of reducing the scope of capital construction; (3) we must try to speed up withdrawal of currency from circulation, "speed up circulation where possible" of everything that can provide commodities and further invigorate the field of circulation; (4) we must suitably improve product grades, create more high-quality products and increase hot-selling products. Microcosmically, along with carrying out the factory director responsibility system, we must further invigorate enterprises, pay close attention to the technological transformation of equipment, carry out intensive expanded reproduction, constantly increase variety of designs, sizes and colors, improve product quality, continue to concentrate our efforts on saving energy and raw and processed materials, improve economic accounting within enterprises, reduce production costs and absorb raw and processed material price rises within enterprises.

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**ECONOMIC MANAGEMENT**

**PEOPLE'S GOVERNMENT SPONSORS CONFERENCE ON AUDITING**

SK260156 Tianjin TIANJIN RIBAO in Chinese 13 Nov 85 p 1

[Text] Units throughout the municipality will generally establish their own audit organs. This was the demand adopted at the recent audit work conference sponsored by the municipal People's Government. Li Changxing, vice mayor of the municipality, attended the conference and delivered a speech.

The conference pointed out: Enforcing the system of auditing supervision is covered by the provisions of the Constitution, constitutes the important measure of developing socialist democracy and establishing or improving socialist legal systems, and is necessary for the program of building socialist modernization. Along with the current drive to conduct reforms in economic systems, with the urban reform as its work emphasis, enforcing the audit system constitutes a part of the tasks for conducting systematic reforms, represents the important step of establishing or improving indirect management and control, and is necessary in the work of safeguarding financial and economic law and discipline and ensuring that economic activities develop along the socialist track. Because of weak economic management and ineffective economic supervision, some problems that have interfered with the drive to conduct reforms in economic systems, such as practicing fraud, exploiting advantages in the reform drive, intercepting state income, evading state taxes, and using public office for private gain, have cropped up. Therefore, it is imperative for us to improve the economic law and regulations and strengthen management and supervision in order to ensure smooth progress in conducting reforms.

The conference urged the departments in charge of enterprise management at the municipal, district, and county levels and the administrative departments or public organizations that have more subordinate units, as well as the municipal large enterprises, establishments, and units, to establish their own audit organs before the first quarter of 1986.

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CSO: 4006/358

## ECONOMIC MANAGEMENT

### MAYOR MARKS WUHAN STEEL WORKS' INTEGRATION

OW291108 Beijing XINHUA in English 1043 GMT 29 Nov 85

[Text] Wuhan, 29 Nov (XINHUA)--The Wuhan iron and steel company, China's second-largest, in this capital city of Hubei Province, has integrated 11 small local iron and steel works.

The company, which used to operate under the metallurgical industry ministry, is now run by the city on an order of the central government last year.

Mayor Wu Guanzheng said at a ceremony marking the integration earlier this month that the move would enable all these companies to make up for each others' deficiencies for mutual benefit.

"This is just the beginning, and we'll combine more smaller enterprises with larger units," he said.

The move taken by Wuhan is an experiment to streamline China's industrial setup, Wu said, adding that the setup is being criticized for lacking in vigor.

The 11 plants manufacture rolled steel, steel sheets, strip steel, seamless tubes, steel wire, coke and refractory materials.

Mayor We said: "They have a good processing capacity, but do not have sufficient supplies of raw materials and lack funds to modernize their production processes."

The merger made it possible for the Wuhan company to aid their modernization, he noted.

The company has a workforce of 120,000 and 5.6 billion yuan worth of fixed assets. Using a 1.7-meter rolling mill with equipment introduced from Federal Germany and Japan, it is rated as one of China's most efficient iron and steel companies.

Nevertheless, it badly needs extra capacity, as it only produces large-caliber rolled steel.

But the small works are capable of producing a full range of small-caliber rolled steel, Huang said, noting the merger would enable the Wuhan iron and steel company to process primary products into high-grade items, thus making more profits.

The Wuhan iron and steel company used to have little to do with the 11 smaller works, which are run by local authorities.

It was, therefore, almost impossible to organize them to undertake cooperation or specialized production, the mayor said.

To break the departmental and regional barriers, the central government last year transferred to Wuhan 41 Wuhan-based enterprises run by central departments or the provincial authorities.

Among them, the largest is the Wuhan iron and steel company.

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CSO: 4020/113



ECONOMIC MANAGEMENT

COOPERATION SPURS PRODUCTIVITY IN SHANGHAI

OW021104 Beijing XINHUA in English 1031 GMT 2 Dec 85

[Text] Shanghai, 2 Dec (XINHUA)—The policy of breaking regional barriers to streamline production is enabling Shanghai to produce 1,190,000 more quality bicycles, a million more watches and 210,000 more sewing machines this year than last.

This extra production has been achieved without using state investment, thanks to cooperation between Shanghai and the east China provinces of Jiangsu, Zhejiang and Anhui, according to the Shanghai economic zone planning office under the state council.

The zone was set up in 1983, which encompasses the Shanghai municipality and Jiangsu, Zhejiang, Anhui and Jiangxi Provinces. These produced a quarter of the national income last year.

Shanghai manufacturers transfer technology and managerial knowhow to these provinces and, in return, are allowed to use their factory premises, equipment and workforces to produce badly needed goods.

The zone aims at smashing regional barriers, now blamed to have impeded economic growth.

The office said that more than 2,400 light industrial enterprises in the zone had forged co-operative ties since 1984.

They manufacture a range of products, including appliances, clothing, lamps, toys, enamelware, foodstuff and sports equipment.

This year, they are expected to turn out an extra 2.63 billion yuan worth of products than in 1984, and make 280 million yuan more in profits.

Cooperation takes the form of joint production of popular brands, joint ventures, technology transfers, exchanges of business information and compensation trade.

Inter-regional joint ventures in the zone are now backed by investment totalling 66 million yuan, the office said.

Since 1983, Anhui has brought in 400 advisers from neighboring areas, and the Shanghai municipal light industry bureau has supplied 300 items of equipment to other parts of the zone.

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CSO: 4020/113

ECONOMIC MANAGEMENT

ENTERPRISE RETOOLING AIDS ZHEJIANG DEVELOPMENT

OW281800 Beijing XINHUA in English 1608 GMT 28 Nov 85

[Text] Hangzhou, 28 Nov (XINHUA)--Zhejiang, one of China's most developed provinces, has gained profits in the past five years by enterprise retooling, a provincial official said here today.

He noted that more than 2,300 enterprise retooling projects have been completed in the past five-year period in the province, adding 4.1 billion yuan to its output value.

Until recently most of the province's factories were medium or small ones set up in the 1950s and 1960s and their technologies and equipments needed updating.

One focus of the retooling program was on the saving of energy, the official said.

One of the province's major headaches is energy scarcity, he noted. All the petroleum, 83 percent of the coal, and 10 percent of the electricity consumed in the province in 1981 came from other provinces.

More than 500,000 tons of standard coal has been saved in the past five years thanks to over 400 energy-saving retooling projects, the official said.

The energy consumption rate was reduced to 2.8 tons of standard coal per 10,000 yuan of industrial output value in 1984 from four tons five years ago.

Zhejiang has especially focused on the retooling of chemical, chemical fertilizer, and rubber factories, which are large consumers of energy.

The province has also made use of surplus industrial heat to generate electricity.

Thirty-five enterprises have generated 250 million kWh of electricity with their surplus heat in the past five-year period, the official said.

The retooling program has been conducted with the help of technology introduced from abroad, he added. About U.S.\$320 million has been spent on importing advanced technology, accounting for 15.4 percent of the province's total investment in retooling program between 1981 and 1985.

The official predicted that remarkable technological progress would be made in 350 key enterprises in the province by the year of 1990.

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CSO: 4020/113



## ECONOMIC MANAGEMENT

### HUNAN MEETING ON CRACKING DOWN ON ECONOMIC CRIME

HK250625 Changsha Hunan Provincial Service in Mandarin 2300 GMT 24 Nov 85

[Text] From 20 to 23 November, the provincial CPC Committee's leadership group for cracking down on economic crime and the provincial Discipline Inspection Commission held a meeting to make arrangements for cracking down on economic crime during the winter and spring.

Provincial CPC Committee Deputy Secretary Liu Fusheng made a speech. He stressed that the current primary task of the whole party is to seriously study and implement the spirit of the National Conference of Party Delegates, have a clear view of the excellent situation, have strong confidence in reform, and strengthen ideological and political work.

On cracking down on serious economic crime, Comrade Liu Fusheng said: Since launching the work in 1982, Hunan has scored great success in cracking down on economic crime. However, economic crime remains rampant. We cannot take this lightly.

Comrade Liu Fusheng stressed that it is essential to continue to solve the problem of understanding and launch in depth the crackdown on serious economic crime. The province must get a good grasp of investigating and dealing with major and serious cases, seize on the focal points in the struggle, consolidate and strengthen the relevant organs, and do a good job of ideological and political work for the cadres involved in this work.

During the meeting, (Huang Liming), a member of the leadership group and a member of the Standing Committee of the provincial Discipline Inspection Commission, made a report on the situation in fighting economic crime and on the tasks for the winter and spring.

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CSO: 4006/358

## ECONOMIC MANAGEMENT

### SICHUAN REPORTS SUCCESS IN PRICE INSPECTION WORK

HK240607 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 24 Nov 85

[Text] The Sichuan price inspection departments have seriously carried out supervision and inspection of prices this year, scoring notable success in defending the interests of the state and the consumers. In the first three quarters of the year, 66,000 cases of price violations were unearthed, and a total of 15 million yuan in economic sanctions were levied.

At the end of last year, the government at provincial, prefectural, and county levels established price work leadership groups. During January and February this year, the provincial price bureau set up 12 inspection groups which were sent to enterprises, undertakings, and other units to carry out a reexamination of prices, with good results. The price inspection departments have also worked to build up a voluntary inspection force.

During their inspections, the inspection departments have focused on prices and charges in retail business and the catering and service trades, which are closely related to the people's vital interests, and also on major price violations which have caused great interference with reforms of the economic structure and of the price setup.

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CSO: 4006/358

ECONOMIC MANAGEMENT

BRIEFS

**TIANJIN INDIVIDUAL BUSINESSES**--During the implementation period of the Sixth 5-Year Plan, Tianjin Municipality has achieved great development in encouraging individuals to open businesses. For the third quarter this year, the number of individually owned enterprises in the municipality reached 94,914 households, a 10-fold increase over the 1980 figure, and the number of businessmen in this regard reached a 13-fold increase over the 1980 figure. [Excerpts] [Tianjin City Service in Mandarin 1430 GMT 22 Nov 85 SK] /9599

**GUANGDONG ISSUES CIRCULAR**--In order to strictly control the scale of extending credits, to strengthen the supervision over loans of circulating funds and to correct the unhealthy tendencies in the work of extending credits, the provincial people's government recently issued a circular urging all localities to launch a full-scale examination on the work of extending credits. In this respect, the government has established a leading group for examining the work of extending credits, so as to strengthen its leadership over the work. The focal point of this examination is on this year's granting loans of circulating funds and on the unhealthy tendencies when granting loans, such as taking advantage of office for personal gain. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 25 Nov 85] /9599

CSO: 4006/358

FINANCE AND BANKING

METHODS OF STABILIZING GROWTH RATE OF MONEY SUPPLY DISCUSSED

Beijing JINGJI YANJIU in Chinese No 10, 85 pp 68-73

[Article by Wang Guangqian [3769 1639 6197]: "Controlling the Money Supply Is Essential to Economic Stability"]

[Text] I. Outlining the Problem

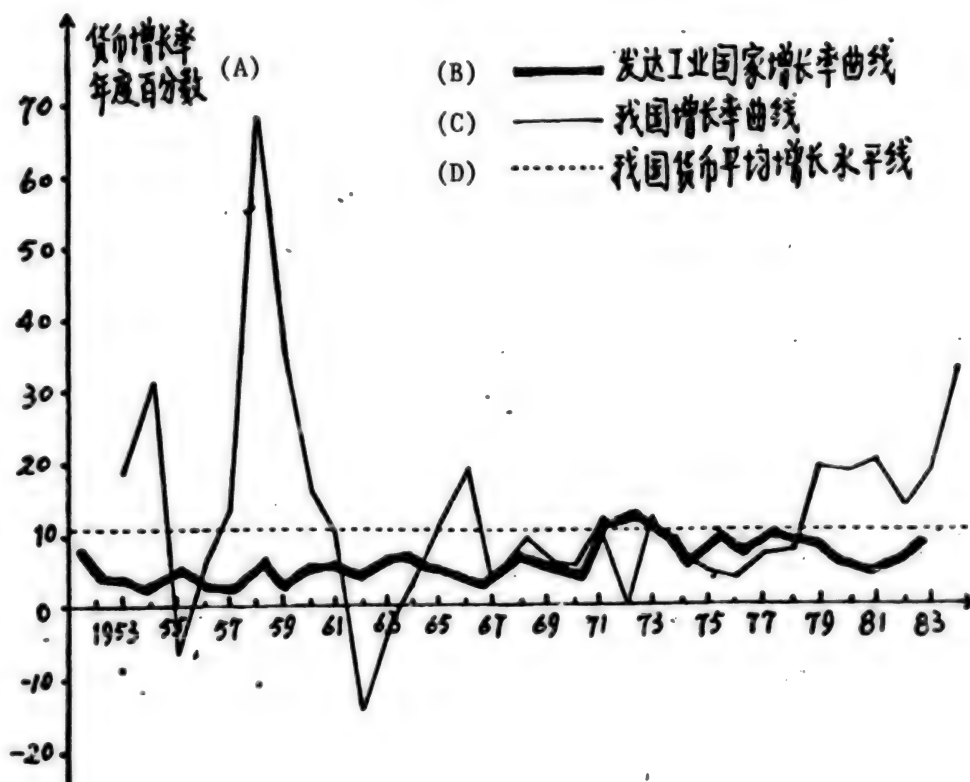
From 1979 through 1983, China's total money supply (cash plus all deposits) soared at the annual rate of 17.3 percent, of which the amount of coins and notes in circulation rose 20.1 percent per year. The increase in 1984 was even steeper. Even as we analyze the expansion of the money supply to determine how much of it was normal, how much was excessive and the reasons behind it, we cannot but consider further: Why was it that in recent years we kept issuing currency excessively year after year even though we seemed to be aware of an oversupply? Why have we failed for years to come up with a workable formula to determine our money supply? Can we not do some soul-searching along new lines?

It should be recognized that the compatibility between the calculation of a rational money supply, on the one hand, and monetary structure and commodity circulation, on the other, and the extent of the compatibility, are one of the most thorny monetary and economic theories under credit currency conditions. Neither socialist nor capitalist nations in the world have so far found a perfect solution, which fully indicates the intrinsic complexity of the problem. But we must also admit that industrialized, developed nations have handled the problem much better than we. According to International Monetary Fund [IMF] statistics, the increase in the money supply of developed nations was relatively stable throughout 1951-83, ranging from 3 or 4 percent to 7 or 8 percent in the 1950's and 1960's. Only in the early 1970's did the growth rate briefly exceed 10 percent, and even then it was just a little over 11 percent. Before long, moreover, it soon stabilized at below 10 percent.

During the same period, China's money supply grew by 10.9 percent annually on the average, higher than that in industrialized nations. But that was not the crux of the problem. The real problem was that the growth rate of our money supply was totally unstable. Although we can detect a static line (that is, the 10.9-percent average annual growth rate) running through the series of peaks and valleys, year-to-year variations from this level were striking.



Diagram 1: Comparing the growth rate of China's money supply with that of industrialized developed nations<sup>1</sup>



<sup>1</sup>The curve indicating the growth rate of the money supply of the world's industrialized nations was based on data in the No 1, 1985 issue of FINANCE AND DEVELOPMENT, published by the IMF and the World Bank. The curve indicating the growth rate of China's money supply was based on ZHONGGUO TONGJI NIANJIAN [CHINESE STATISTICAL YEARBOOK] (1981-1984).

**Key:**

- A. Annual growth rate of the money supply in percentage
- B. Growth rate of the money supply in developed industrialized nations
- C. Growth rate of China's money supply
- D. Average growth rate of China's money supply

It should be noted that the erratic growth of our money supply, which followed no particular pattern, was influenced by the nation's economic development. Had there been no disturbances and had the national economy grown steadily, the money supply would have expanded more steadily than it has. At the same time, however, we should realize that an unbridled growth in the money supply will in turn encourage economic instability.

## II. Coordinated Development of the National Economy Requires Stable Money Supply

Table 1: A comparison of the growth rate of China's money supply with economic growth rate during various periods from 1953-1983<sup>1</sup>

(A)

(B) 时 期	(C) 货 币 供 应 量			(D) 经 济 发 展		
	总(E)量	现(F)金	存(G)款	(H) 社会总产值	(I) 工业总产值	(J) 国民收入
(K) "一五"时期	12.1	13.9	11.5	11.3	10.9	8.9
(L) "二五"时期	19.0	15.1	20.0	-0.4	0.6	-3.1
1963-1965	3.0	-5.2	4.8	15.5	15.7	14.7
(M) "三五"时期	8.1	-6.4	8.4	9.3	9.6	8.3
(N) "四五"时期	6.6	8.1	6.4	7.3	7.8	5.5
(O) "五五"时期	10.4	13.6	9.8	8.3	8.1	6.0
1981-1983	16.9	15.2	17.3	8.0	7.8	7.4
1979-1983	17.3	20.1	16.8	8.2	7.9	7.1
1953-1983	10.9	10.0	11.1	8.0	8.2	6.2

<sup>1</sup>Based on data in ZHONGGUO TONGJI NIANJIAN (1981-1984).

### Key:

- |                                   |                              |
|-----------------------------------|------------------------------|
| A. Average annual growth rate (%) | H. Total social output value |
| B. Period                         | I. GVIAO                     |
| C. Money supply                   | J. National income           |
| D. Economic growth                | K. First 5-Year Plan period  |
| E. Total                          | L. Second 5-Year Plan period |
| F. Cash                           | M. Third 5-Year Plan period  |
| G. Deposits                       | N. Fourth 5-Year Plan period |
|                                   | O. Fifth 5-Year Plan period  |

It can be seen that the past 3 decades were a time of violent fluctuations in China's money supply. A stable monetary environment never materialized, further destabilizing the economy.

There are two sides to the so-called stable monetary environment. First, the increase in money supply must not be excessive. Second, the increase in money supply must not lead to inflation. When prices fluctuate or rise continuously, the national economy cannot develop in a coordinated way. Price fluctuations not only undermine the role the money supply plays in the national economy, but also make money supply itself incompatible with and an impediment to economic development. It is self-explanatory why this is so. Much more complex is why continuously rising prices hinder economic development. But for this complexity, some comrades would not have been misled into advocating for years a so-called "moderately inflationary" policy. Consequently, before we explore the question of how to determine a rational level for our money supply, we must analyze these issues:

First, inflation is not conducive to controlling the magnitude of investments. Amidst continuously rising prices, all investments, whether those within or outside of the plan, will cost more than originally budgeted. That is, to finish a project, we must sink in a greater sum of money than the projected outlay. And yet our nation's investment system lacks just that type of self-regulatory mechanism with regard to investment requirements, which are almost insatiable. As a result, price increases intensify the tendency towards ever-rising investment requirements. This is the phenomenon, so prevalent in the real world, of the budget exceeding estimates, and the final accounts exceeding the budget. Once we begin a project, we invariably want to bring it to fruition. Faced with cost overruns, the treasury is forced to pour in more investments, which means an expansion in government expenditures, which, in turn, leads the banks to pump more money into circulation. But the banks can offer no more than means of payment and credit; they cannot increase an iota the supply of goods in the economy. In effect, the banks shift onto prices the demand for money supply, thus exacerbating the shortage of funds.

Second, inflation is not conducive to economic accounting by enterprises or to increasing economic results. In a currency economy, all economic activities must still be calculated in terms of currency. Inflation renders impossible the accurate reflection of the economic achievements of the various sectors in the national economy and sends the wrong message to enterprises. Thus misled, enterprises may expand production irrationally, perhaps even to an extent totally in excess of social needs, resulting in certain waste. Moreover, because of China's multilevel price system and the multilevel economic structure of its economic organizations, inflation affects different enterprises (state enterprises, collective enterprises, joint ventures, cooperative enterprises) and different commodities (commodities under planned state control as well as those regulated by the marketplace) differently, making it impossible for enterprises to compete under similar conditions. This militates against enterprise vitalization.

Third, inflation is not conducive to balancing the budget. For many years now, we have consistently emphasized that a balanced budget is the cornerstone for achieving an overall balance in the national economy and that budgetary disequilibrium is one reason behind the overexpansion of the money supply. Sometimes we refer to this "noneconomic money supply" more directly as "fiscal money supply." This interpretation, while correct, is only partial. The other side of the coin is that when there is excessive growth in the money supply, inflation ensues. Inflation, in turn, sparks a round of increases in government expenditures. In an inflationary situation, government revenues are forever chasing after government expenditures. Although the government collects revenue and pays its bills in close succession, there does exist a varying time lag between the two groups of activities, which makes for a shortfall in budgetary estimates. Currency depreciation, meanwhile, also leads to additional expenditures. The result: a vicious circle in which inflation feeds on inflation and increased government expenditures fuel increased government expenditures.

Fourth, inflation is not conducive to realizing the state's general goals or to steadily improving living standards. Inflation renders unworkable whatever national income plan the state has drawn up at a certain price level and makes

unattainable whatever targets it may have set. Since an increasing money supply has different effects on commodities governed by different price systems, consumers with their different consumption patterns and spending priorities also suffer to varying extents. Even allowing for simultaneous pay increases, not everybody will be able to recoup his losses from price inflation to the same degree. Needless to say, the money stock (deposits plus cash) also depreciates significantly at the same time. Another point which should not be ignored is that inflation makes our incomes and expenditures highly unpredictable, affects our spending plans, creates uneasiness and a sense of panic, undermines social stability and unity and weakens our confidence in reform. In particular, price reform on its own creates certain price movements. If we have inflation on top of that, the price system will be utterly chaotic.

In short, a stable money supply is indispensable to the balanced, coordinated development of the national economy. Since 1979, our money supply has always been on the high side, climaxing in 1979. Far from being normal, the spectacular growth the economy experienced in the second half of 1984 and the first half of 1985 is full of hidden perils. While there are many reasons for this spurt in the economy, we must say that the overexpansion of the money supply has added fuel to an already overheated economy. Undeniably, for the most part the increase in the money supply after 1979 has been compatible with and promoted economic growth. But he who says that the improvement in the national economy since 1979 is due to a ballooning money supply is totally mistaken. To achieve the magnificent national economic development goals set by the 12th National Party Congress, we are in the process of restructuring the economic system from top to bottom. This makes it even more imperative for our banking institutions to provide a sound monetary environment. Toward that end, we must stabilize the money supply, avoid any violent fluctuations in its growth rate, and ensure that the national economy develops in a coordinated, proportional way with good results.

It must be pointed out that when we talk about stabilizing the growth rate of the money supply, we mean relative stability, not absolute stability. Given changes in objective conditions, e.g., adjustments in the comparative prices of industrial and agricultural commodities, it is only natural that the growth rate of the money supply should go up correspondingly, but at a rate which is still consistent with monetary stability and which will not give rise to inflation. Our idea is to avoid drastic ups and downs in the money supply and provide economic reform and economic development with a favorable monetary environment.

At what level then should we stabilize the money supply growth rate? Can we work out this value more scientifically and accurately by basing ourselves on the experience of other countries as well as that of China? That is exactly what the following discussion seeks to do.

### III. Factors Involved in Calculating a Rational Money Supply; Determining the Growth Rate of the Money Supply

The preceding paragraphs prove that national economic development requires a stable monetary environment, which means, in essence, that the money supply



should be maintained at a level conducive to the relative stability of commodity prices. It follows that the economic growth rate and the proportional coefficient between economic growth and money supply are the main factors to be considered in arriving at a reasonable size for the money supply. Economic growth rate refers to the rate at which the economy expands calculated in constant prices and can be represented by the total social output value. The proportional coefficient between the economic growth rate and the growth rate of the money supply refers to the percentage increase in money supply required for producing every 1 percentage point increase in total social value. We often ignored this factor when we calculated money supply in the past, failing to pay full attention to the fact that the synchronization of economic growth with growth in the money supply does not mean that the two values increase at the same rate but that they grow simultaneously in a definite relationship. Let's denote the growth rate of the money supply, the growth rate of the total social output value, and the proportional coefficient between economic growth and supply money growth with  $R$ ,  $P$  and  $K$  respectively. It follows that the growth rate of money supply,  $R$ , is the result, or product, when we multiply the economic growth rate,  $P$ , by the proportional coefficient between economic growth and the increase in money supply, or  $K$ ; that is,  $R = KP$ .

How are the values of  $P$  and  $K$  determined?

Let's look at  $P$  first. Here are three growth rates available to us for our choice: (1) real growth rate; (2) annual planned growth rate; and (3) economic growth rate required by our economic development strategy. In my opinion, we should choose the third alternative, that is, we should determine the money supply using the economic growth rate required by our economic development strategy. If we do so, we shall be able to avoid sharp swings in the growth of the money supply, ensure the steady expansion and coordinated development of the economy and, to a certain extent, prevent it from expanding too rapidly. The right amount of money supply, moreover, will be a stabilizing force in the entire economy. Our economic development strategy is to quadruple gross value of industrial and agricultural output [GVIAO] by the end of the century, which translates into an annual average growth rate of 7.2 percent. Based on our experience in the Sixth 5-Year Plan, we may boost this rate a little to reach 8 percent by reforming the economy. (The economy grew 8.7 percent, 10.2 percent and 14.2 percent respectively in 1982, 1983 and 1984.) At the same time, we must promote the development of tertiary industries. Total social output value should expand more rapidly than GVIAO: during the period from 1978 to 1983, this difference was 0.3 percent on the average. Taking into account the further expansion in the tertiary sector in the future, we can justifiably expect the economy to expand on the basis of social output at the average annual rate of 8.8 percent for the rest of the century.

After determining the value of  $P$ , which we calculated to be 8.8 percent, we still must do likewise for  $K$ . It is more complex to attach a numerical value to  $K$  because of our lack of experience, domestic or otherwise, in this area. However, what we can do is to search through 3 decades of economic activities in China for whatever data may exist and then compare it with conditions in advanced nations in order to find  $K$ 's value. We can see from Table 1 that in

the 31 years from 1953 to 1983, China's total social output value increased at an average annual rate of 8 percent, while money supply grew 10.9 percent. In other words, for every 1 percentage point increase in total social output value each year, the money supply grew 1.363 percent. But if we leave the "Great Leap Forward," 3 years of adjustments and the "Cultural Revolution" out of account, and only consider the data for the period covered by the First 5-Year Plan and the 8 years after the "gang of four" was smashed, we can see that the total social output value and the money supply grew 9.4 percent and 12.9 percent each year, respectively, and that the ratio between the growth rate of the money supply and that of the economy was 1.33. Hence we can determine the value of K as 1.35. In advanced industrialized nations, gross national product usually expands 5 percent annually, while the money supply increases 6 to 7 percent on the average, demonstrating yet again that the coefficient of 1.35 is basically capable of reflecting the relationship between economic growth rate and the increase in the money supply.

Substituting  $K = 1.35$  and  $P = 8.8$  percent for  $R = KP$ , we obtain  $R = 11.66$  percent. Hence we may put the growth rate of money supply at 11 to 12 percent and make it the most important element in monetary policy. We can then proceed to formulate for the Central Bank a capital use plan based on the magnitude of the money multipliers. As Section II above makes clear, maintaining the rate of growth of the money supply at this level over an extended period of time provides a monetary environment favorable to economic development and the stable, healthy growth of the national economy.

#### IV. Principal Tools for Achieving Stable Growth of the Money Supply

We discussed above the fact that stabilizing the growth of the money supply is an objective requirement for steering the economy in a desirable direction and ascertained the level at which we should stabilize the growth rate of the money supply. Our last task naturally is to think of ways of achieving such stability. Given China's present conditions, our total money supply, including all coins and notes in circulation and all deposits, ~~derives from~~ one source, borrowing. The Central Bank ~~must effect~~ its control of the money supply through lending. That much is clear. What merits further studies is this: How do we hold down the overall level of borrowing? That is, what kinds of credit control mechanisms or target systems should we adopt? As far as the direct control of credit is concerned, the most effective measure of course is to directly control the amount of loans made by various grassroots banks, which, indeed, was the practice before 1979. But this approach stifled the initiative of local banks and departments. Besides, targets handed down to the grassroots from higher authorities did not necessarily suit actual local conditions. To strengthen macroeconomic control, the CPC Central Committee this year revived the method of transmitting targets to the lower levels. Half a year's practice later, it is still a case of "as soon as control is relaxed, chaos breaks out; as soon as control is tightened, stagnation sets in." The reform of credit management, therefore, must reject both the wholehearted embrace of economic mechanisms and a return to the old rut of relying absolutely on management by target. Instead, we should reform credit management by combining economic mechanisms with administrative tools and planning.

1. Continuously perfect the deposit reserve system. This is one of the three weapons at the disposal of central banks in capitalist countries to control the total money supply. In some nations (e.g., Italy), it is in fact the most important control mechanism. Credit control is imposed in all nations to make sure that the money supply grows at the projected rate. The existence of the gap, not to be overlooked, between lending and the formation of the total money supply, however, makes it possible for the deposit reserve system to play a role in controlling the expansion of the money multipliers. In China, this policy has been in force since 1984. But there is as yet no clear and complete understanding of its function. Nor do we realize its major potential for controlling the amount of derived deposits created indiscriminately by specialized banks outside the economic plan. Instead we are only aware of the reserve system's capacity for ensuring the Central Bank's control over a definite amount of credit funds and hence its power to regulate problems arising from the entire nation's credit fund requirements. As a result, the deposit reserve rate has been set at an extraordinarily high level, usually above 25 percent. There is structural irrationality too. On the one hand, the system prevents grassroots banks and offices from absorbing even more savings deposits and affects the money supply and its structure. On the other hand, even as they turn over to the Central Bank a large volume of deposits, specialized banks continue to obtain from it a stream of loans, which results in an excessive amount of transactions between the two to the extent of distracting the Central Bank from its relending function. In 1985, the reserve rate was lowered to 10 percent across the board, a uniformity which fails to differentiate between types of deposits and is no help when it comes to controlling the money supply. Moreover, the reserve rate should be stabilized on the basis of experience and adjusted neither too frequently nor too sharply. This is because in China's complex economic structure with its multiplicity of levels and considerable developmental unevenness between regions, the imposition of a single reserve rate generates too many repercussions and may not necessarily suit the concrete circumstances of a locale's economy. For these reasons, if we are to achieve the short-term money supply target, it will be more effective and less fraught with side-effects for the Central Bank to adjust the interest rate it charges for relending ~~and the amount of such relending.~~

2. Set a reasonable relending interest rate and strictly control the amount of relending. This is an important economic tool available to the Central Bank to achieve the money supply target. In the West, most of the loans made by a central bank to commercial banks are mortgage loans, i.e., the central bank rediscounts commercial papers for commercial banks or makes secured advances to them. The rediscount rate determines the costs commercial banks bear for borrowing from the central bank, influences the amount of loans the central bank makes to commercial banks and in the process regulates the money supply. In China, too, the relending rate affects how much it costs specialized banks to borrow from the Central Bank and hence their demand for loans. But this tool is grossly inadequate for the following reasons. As state banks, all specialized banks in China cannot discontinue payments to customers, suspend operations or declare themselves bankrupt because they are experiencing a cash flow problem. Nor will there be a drop in their demand for loans from the Central Bank just because it happens to be more expensive to borrow from it. When there is a shortage of funds, specialized banks may ignore the interest

rate the Central Bank charges them and desperately try to get the Central Bank to step up lending. Since specialized banks are not entirely driven by the profit motive in their operations, they are particularly prone to such behavior. Apart from correctly setting its rediscount rate, therefore, the Central Bank should put a ceiling on the amount of relending it makes to specialized banks. Both the relending interest rate and the amount of relending should be higher than that in the plan. In determining the amount of nonplan relending, the Central Bank should fully consider the function of the money multipliers and firmly come to grips with them as a command target. In this way, specialized banks can enjoy a definite measure of operational autonomy while we can also ensure that the money supply will not grow beyond prescribed limits.

3. Necessary administrative tools and policy instruments. To bring about the steady expansion of the money supply, we must supplement the two major economic mechanisms above with necessary administrative tools and policy instruments. At a time when economic mechanisms have not proved completely effective, in particular, administrative tools and policy instruments may fill in some of the gaps. It is entirely feasible for socialist nations to apply necessary administrative tools and policy instruments to stabilize the growth of the money supply. Essentially administrative tools refer to administrative supervision over and examination of the operations and activities of various kinds of financial institutions, management of the personnel of specialized banks, and disciplining institutions and people engaged in illegal activities. In the main, policy instruments mean ensuring that the money supply is basically on track through the formulation of fiscal policies and regulations and other principles related to fiscal activities, and through compliance with policy demands by grassroots banks in their operations.

4. Planning as a tool. Planning is where economic mechanisms and administrative tools meet. In essence it refers to the formulation of the state comprehensive credit plan and cash balance planning. Herein lies the essential link between vitalizing the economy at the microeconomic level and maintaining macroeconomic control. Herein also lies an important tool for controlling the money supply. We must not totally reject planning the moment economic vitalization is mentioned. Reforming the monetary system does not depend upon wholesale Westernization, but on a continuous process of summing-up, assimilation and innovation based upon China's own circumstances.

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CSO: 4006/263



## MINERAL RESOURCES

### SHAANXI'S MINERAL RESOURCES

Beijing ZHONGGUO DIZHI [CHINA GEOLOGY] in Chinese No 8, 13 Aug 85 pp 21-22

[Article by Dong Yingbi [5516 2503 4310] of the Shaanxi Province Geology and Mineral Bureau: "An Outline of Shaanxi's Mineral Product Resources"]

[Text] Some 86 types of mineral resources had been discovered in Shaanxi Province by 1983. There are proven reserves of 61 types and more than 500 sources, including 104 large and medium scale deposits. An analysis of proven mineral resource reserves in combination with mineralization geology conditions and the degree of geological work shows that Shaanxi Province has rather abundant energy resources, certain advantages in non-ferrous metals and precious metals, and fairly good non-metallic mineralization conditions. Metallic and non-metallic minerals have been developed and utilized gradually as socialist construction has developed, but the degree of development and utilization is rather low. Although there are fairly large reserves of some types of mineral resources such as mercury and antimony ore, they have not been developed and utilized. The prospects are good for some types of minerals, but there is inadequate geological work, so planning and construction cannot proceed in a timely manner.

#### I. Energy Resources

1. There are rich coal resources with proven reserves that are third highest in China, and there are 3.9 billion tons in proven reserves in producing mines and mines under construction. The coal types are mainly low metamorphic jet coal, unbonded coal and weakly bonded coal, followed by lean coal and low-grade coal, and there is a shortage of rich coal and anthracite. Coal types in Shaanxi are mainly power coal, which is rather favorable for development of the energy resources industry.

2. Northern Shaanxi was one of China's earliest petroleum discovery sites. After Liberation, nine small oil fields were discovered in the Guanzhong [central Shaanxi] and northern Shaanxi regions at Wuqi, Zhiluo and so on, as were a number of small oil and gas sites. Recently, new oil-bearing strata were discovered in the bottom part of the Yan'an suite of the Jurassic series. Shaanxi also has some prospective reserves of oil shale formed in the late Triassic that are continental facies of sediments with a mineralization layer varying from 0.75 to 24 meters and an oil content of 5 to 8 percent. It has not been utilized yet.



There are certain prospects for coal-formed gas throughout the Carboniferous and Permian coal fields in Shaanxi, and they await further surveys and evaluation.

3. Analysis of geological and structural conditions indicates that the conditions for geothermal energy resources exist in the Mesozoic and Cenozoic fault-subsidence basins in Guanzhong and southern Shaanxi. Some underground hot water outcrops are found along piedmont zones of renewed fracture activity. Five preliminary geothermal zones have been demarcated in the Guanzhong Basin. They cover an area of about 870 square kilometers, and hot springs have been found at more than 20 sites. Four hot spring sites have been discovered in the piedmont zone at the northern margin of the Hanzhong Basin in southern Shaanxi. Geothermal energy resources can be developed for industrial and agricultural uses.

## II. Nonferrous Metals and Precious Metals

Shaanxi has 11 types of proven nonferrous and precious metal minerals. There are 76 sites, 34 of them are large and medium-scale ore deposits. Shaanxi is second nationwide in mercury ore reserves and third in molybdenum ore, and it also occupies an important status in gold and silver.

1. Jinduicheng is China's second largest molybdenum deposit, and refined molybdenum ore output is highest nationwide. The Dashigou molybdenum-rhenium deposit is a large comprehensive mineral deposit that contains trace elements, including rhenium metal reserves that are the largest in China.

2. Silver, lead, zinc and other metals. There are many silver and lead metal deposits at Yintongzi. They cover a large area, are of good quality and can be dressed easily. If communications conditions can be solved, this could become a fairly important silver mine in China. The strata-controlled lead and zinc mineral zones in the Fengxian-Taibai region have already-controlled reserves of more than 2 million tons. Communications, hydropower and other external conditions in the region are favorable. It could become one of China's primary nonferrous metal industry base areas with a focus on lead and zinc.

3. There are many types of metal ores that are broadly distributed, have deposits that occur on a large scale and have rather substantial prospects for development. The Xiaoqinling region (which includes western Henan) contains gold-bearing quartz vein-type gold ore. The grade is rich, the scale is large and extraction is easy. Gold output now has become the largest in China. The Han Jiang basin's placer gold ore deposit is among China's largest placer gold deposits. Furthermore, some breakthroughs and new discoveries have been achieved through geological work on the strata-controlled gold deposits in Devonian system albitophyre and breccia at Zhongtailing, the primary gold in basic volcanic rock and carbonatite in the Miaoxian and Lueyang areas, and the placer gold ore in the upper reaches of the Jialing Jiang. Gold ore in Shaanxi's Qinba region will assume an important position in China.

4. Proven mercury ore reserves are second only to Guizhou Province, and analysis of the mineralization conditions indicates that the prospects are considerable. Exploration of the western end of the Congguan--Huilong ore field at Dianyang [as published] in southern Shaanxi has been concluded. Work on the enormous mercury deposit at the eastern end is underway and there are prospects above the western end. Moreover, there are areas of prospective mineralization around the perimeter of the ore field.

There are six large and small-scale antimony deposits. They are of two types: the mercury-antimony type and the purely antimony type, and they are distributed mainly in the Shangxian, Danfeng, Shanyang and Dianyang regions.

### III. Ferrous Metals

1. Iron ore is distributed primarily in Lanzhong and Shangluo Prefectures. There are nearly 500 million tons of reserves, most of it low-grade ore, but the distribution is fairly concentrated. The Daxigou iron deposit at Zhashui with proven reserves of 300 million tons is an example. Changes in transportation conditions would make mine construction possible. There are 150 million tons of iron ore reserves in the Mianxian-Lueyang-Ningqiang region and mines already exist to extract it. The key lies in improved management and administration, rational development and improved economic results.

2. There are three main sites of manganese production and proven reserves exceed 7 million tons. The manganese deposit at Lijiayi in Hongzong is sedimentary metamorphic manganese ore, mainly braunite. There is a manganese carbonate ore stratum on the upper plate of the Tiantai Shan phosphorous ore strata at Lanzhong that reaches a maximum thickness of 21 meters. The maximum manganese content is 29.57 percent and the ore body occurs on a large scale. Continuity is good and it assumes a strata or lenticular shape. The primary ore rock material is reddingite, rhodochrosite and manganese-containing dolomite. If dressing and refining problems can be solved, Shaanxi's manganese ore reserves could be a major breakthrough.

### IV. Non-metallic Mineral Products

Shaanxi has certain advantageous non-metallic ore products with proven reserves at the present time, mainly phosphorous, glass raw materials and casting sand (quartz), cement and chemical limestone, asbestos, gypsum, fluorite, barite and so on. There are certain prospects for amorphous fire-resistant materials needed in industry (andalusite, sillimanite, cyanite), surface fill rock material for construction and so on.

1. Shaanxi Province has the largest proven reserves of phosphorous ore in the five northwestern provinces. It occupies an important position in the phosphorous-short northern provinces. Two large deposits, three medium-sized deposits and eight small deposits already have been proven. Shaanxi is self-sufficient in and has a surplus of phosphorous resources.

There are two main types of phosphorous ore. One type is sedimentary phosphorite. The other type is apatite that was produced in ultrabasic rock. There is one large deposit of the latter. The raw ore grade is only 3 to 4 percent, but it is easy to dress and the grade of the refined ore could reach 29 percent, and open-pit extraction is possible on a large scale.

2. Quartz, the raw material for glass, is distributed mainly in the Bao He--Yagu Shan area in Hanzhong. It is sedimentary shallow metamorphic quartz ore that is of good quality and covers a large scale, and it can be extracted in open pits. Construction of a large mine can satisfy demand within Shaanxi as well as provide assistance to neighboring provinces.

3. Shaanxi has abundant cement and chemical limestone resources of good quality. The zones of limestone distribution in Weibei in Guanzhong have adequate coal and electricity resources as well as good communications and extraction conditions. There is a substantial disparity between yearly cement output in Shaanxi compared with the province's superior resource conditions and construction needs. Planned utilization of chemical limestone is urgent and we also should strive to develop the necessary geological prospecting work to determine the overall prospects and scale to facilitate rational planning and utilization.

4. There are over 200 million tons in proven reserves of gypsum ore at Walizi in southern Shaanxi, the quality is good and communications are convenient. Full use should be made of this resource advantage to change the situation of Shaanxi's long-term dependence on gypsum from other provinces.

5. Shaanxi has abundant barite resources, with proven reserves that are third highest in China. Sedimentary barite deposits occur on a large scale in southern Shaanxi's Ankang Prefecture. There are more than 10 million tons of reserves in the Shiti deposit now being prospected and communications and transportation conditions there are favorable. It should be exploited as soon as possible.

Geological work in Shaanxi Province has developed rather substantially and there are favorable mineralization conditions in the Qinbai region, so there is substantial resource potential. The prospects are rather good in exploration for nonferrous, trace and precious metals and for non-metallic resources and they are in great demand by the state. The pace of geological survey and prospecting work should be accelerated. It can be predicted that major breakthroughs in basic geological and mineral exploration work will occur as the degree of geological research improves and that inevitably there will be new discoveries and even greater progress in mineral product resources in the Qinba region of Shaanxi.

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## INDUSTRY

### NEI MONGGOL FEED-PROCESSING INDUSTRY DEVELOPED

Hohhot NEIMENGGU RIBAO in Chinese 11 Aug 85 p 1

[Article by Bao Er [0202 1422] and Yan Xiuzhu [7051 4423 4554]: "Nei Monggol Feed-Processing Industry Developed Quickly; 171 Mechanized or Semimechanized Feed-Processing Plants and 6,979 Other Feed-Processing Plants (Points), With a Total Annual Production Capacity of 1.7 Billion Jin, Built Throughout Nei Monggol"]

[Text] Along with the continued implementation and perfection of the live-stock production job responsibility system since the 3d Plenum of the 11th CPC Central Committee, the breeding industry throughout Nei Monggol has developed quickly and promoted continued development of the feed-processing industry. Incomplete statistics show that 171 mechanized or semimechanized feed-processing plants with an annual production capacity of 492.03 million jin and 6,979 feed-processing points with an annual production capacity topping 1.2 billion jin have now been built throughout Nei Monggol. Moreover, over 2,300 specialized feed-processing households, which also have a considerable production capacity, have also sprung up throughout Nei Monggol.

Nei Monggol's feed-processing industry began quite late. But since livestock production has developed quickly and particularly since all areas have effectively stressed primary production over the past few years, feed-processing has gradually begun to prosper. Prior to 1982, Nei Monggol had only a few feed-processing plants which relied on mixing by manual labor, had backward equipment and a low production capacity and were far from being able to satisfy social needs. Over the past few years, grain departments have integrated themselves with the autonomous region's actual conditions. First, they built 5 feed-processing plants which produce 30 million tons a year, ending the region's history of having no feed industry. Then, Nei Monggol's livestock, rural and small town enterprise and grazing land systems built successively over 6,900 feed-processing plants (points), forming a feed-processing system. Judged by their present development, their distinguishing features are as follows. First, they combine large, medium and small, with small as the dominant factor. Individual, joint household and collective run feed-processing plants (points) constitute 98.5 percent of the total number throughout the region, with over 1,500 of these kinds being in Chifeng alone. Second, they combine state aid with raising their own funds, with raising their own funds as the dominant factor. The Xingan League feed-processing industry investment has reached 1.1 million yuan, only 280,000 yuan of which

is state and loans. Third, they draw materials, process and market on the spot. In addition to the grain system's ability to supply feed-processing raw materials, other departments throughout the region have all adopted various forms, such as negotiated purchase and sale, households which bring materials to be processed or go from village to village and mobile service, enabling abundant agricultural sideline products to be transformed on the spot and promoting livestock production development. Fourth, they have developed refined and coarse simultaneously, with coarse as the dominant factor. Most of Nei Monggol's feed-processing plants are now still in the production stage of adding small amounts of refined material after feed grass is ground, and have still achieved good results. After the Ejin Horo Banner Narenxilisumu Feed-Processing Plant grinds lemon twigs, it adds small amounts of brine and powdered straw, raising the lemon twig food value from 30 percent to 95 percent. Fifth, they repair and utilize old or discarded equipment and use mostly small machinery. In 1984, the Xingan League repaired and utilized over 700 used, portable fodder grinders in 3 banners and counties and also bought and brought back small fodder grinders from provinces and regions in other parts of China, basically solving the problem of insufficient fodder-grinding machines throughout the league.

Along with feed-processing industry developments, scientific feed research work has also made progress. Nei Monggol's masses of scientific researchers have integrated themselves with the autonomous region's actual conditions and developed successively mixed feed, such as "expanded synthetic milk," "pastoral area condensed feed" and "biological powdered blood" additives, developing new channels for the feed industry. Nei Monggol is now actively importing advanced overseas equipment. Concerned departments are preparing to extend several feed-processing plants to produce 50,000 tons a year in areas such as Hohhot and Baotou and actively helping small towns to develop feed-processing plants (points).

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CSO: 4006/145



## INDUSTRY

### ANHUI ENGINEERING INDUSTRY DEVELOPMENT RAPID

Hefei ANHUI RIBAO in Chinese 22 Sep 85 p 1

[Article by Xu Bin [1776 2430], Chen Fusheng [7115 4395 3932] and Zhao Ruguang [6932 1172 1639]: "Reform Direction Upheld and Enterprise Vitality Increased; Anhui Province Engineering Industry Development Rapid, Results Good; Overfulfills Annual Profit Plans Four Months Ahead of Schedule"]

[Text] The Anhui Province Engineering Industry Department has focused on priority products, vigorously organized specialized cooperation, firmly stressed technological transformation and importation and promoted engineering industry development throughout Anhui Province. Based on having set its highest records ever in 1984, its output value and profits have increased greatly again in 1985. From January to August 1985, its fulfilled gross industrial output value was 1,118,080,000 yuan, or 79 percent of the annual plan, and its realized profits were 180.41 million yuan, overfulfilling annual plans 4 months ahead of schedule.

In 1985, the Anhui Province Machinery Department party organization has focused on increasing enterprise vitality, reformed its management system, transferred enterprises to a lower administrative level, simplified administration and expanded authority. The department has changed from putting its major stress in the past on daily production organization and direction to stressing "overall planning and balance, organized cooperation and supervised service." It has improved macroscopic economic control and management, paid close attention to the Seventh 5-Year Plan work (including science and technology [S&T], craft and personnel training plans) and gone deep into 14 localities and cities and 113 enterprises within Anhui Province to inspect and guide S&T work. Based on having reorganized their leading groups, 45 of the 66 priority enterprises throughout the system have carried out the factory director responsibility system and further improved the economic job responsibility system within enterprises. They have focused on priority products, organized specialized cooperation and during the first half of 1985, given priority to stressing the proliferation of spare parts for and the specialized production of 3-ton and 8-ton Jianghuai brand motor vehicles and small 4-wheeled tractors. Moreover, they have taken the initiative to expand and cooperate with other provinces and municipalities. Such units as the Hefei Jianghuai Automobile Manufacturing Plant and the Anhui Youzui Oil Pump Factory have cooperated with similar industries in other provinces and municipalities to produce and transfer technology.

Since close attention has been paid to importing and transforming technology, product variety has increased and quality improved. Of 59 products which the department gave priority to examining during the first half of 1985, 29 were top-quality products and 23 were first-rate products. The number of products which the machinery system throughout Anhui Province has used international criteria to check before acceptance has reached 72, and 137 new products have been produced. Of these, 65 new products such as the Hefei Mining Machine Plant's WY80 model 0.8 sq m [sic] hydraulic caterpillar excavator, the Provincial Agricultural Machinery Research Institute's Chayuan tractor and its complete sets of farm tools, the Wuhu Boiler Plant's SH6-13-AI medium-grade coal boiler and the Quanjiao Diesel Engine Plant's R175A diesel engine have reached advanced domestic standards.

12267/12947

CS0: 4006/145

INDUSTRY

ANHUI ENGINEERING INDUSTRY COMPLETES SIXTH 5-YEAR PLAN

Hefei ANHUI RIBAO in Chinese 30 Sep 85 p 1

[Article by Xu Bin [1776 2430] and Li Li [2621 0500]: "Anhui Province Engineering Industry System Completes Sixth 5-Year Plan 2 Years Ahead of Schedule"]

[Text] Since the 3d Plenum of the 11th CPC Central Committee, Anhui Province's engineering industry system has conscientiously carried out the policy of revising, reforming, reorganizing and improving and has completed its Sixth-5-Year Plan 2 years ahead of schedule. Over the past few years, Anhui Province's engineering industry departments have conscientiously practiced the method of "producers meeting consumers and consumers choosing the best to buy." Moreover, they have carried out conscientious reforms in such areas as management systems and enterprise management, expanded enterprise autonomy and carried out the economic job responsibility system and the factory director responsibility system. Thus, they have increased enterprise vitality and enabled the following new changes to occur in the engineering industry throughout Anhui Province.

During the Sixth 5-Year Plan, the engineering industry throughout Anhui Province has developed 1,247 new products, overfulfilling the Sixth 5-Year Plan by 12.5 percent. Over 70 percent of these new products have been put into production. During the 4 years up to the end of 1984, it created 4 national priority products, 39 departmental priority products and 106 provincial priority products. More than 200 products, such as 3-ton hydraulic transmission fork vehicles and large-scale underwater electric pumps, have reached advanced domestic standards.

In revising and reforming, five priority products, such as walking machinery, power transformation and transmission equipment, coal machinery, processing machinery for agricultural sideline products and machine tools, have been stressed throughout Anhui Province. The output value of these products constitutes 40 percent and their profits 50 percent of that of the engineering industry throughout Anhui Province, giving them a dominant position.

Through revision, some general factories have been changed and a number of specialized ones developed. Technological transformation has been carried out, to various degrees, in 64 priority enterprises throughout Anhui Province. Literacy and supplemental technical education classes have been completed by

50,000 staff members and workers and some have engaged in intermediate-level technical school studies, greatly strengthening enterprise reserve strength.

Since 1982, engineering industry production throughout Anhui Province has been developing year after year. Its 1984 gross industrial output value increased 31.3 percent and its realized profits and taxes increased 87.6 percent over 1983, setting the highest records ever. Comparing January to August 1985 to the same period in 1984, its completed output value increased 46.3 percent, realized profits and taxes increased 98.3 percent and profits and taxes turned over to the state increased 70.6 percent.

At present, Anhui Province engineering industry system staff members and workers are determined to continue to improve product quality, increase product variety and improve economic results and are striving to realize the struggle goal of quadrupling their gross output value ahead of schedule.

12267/12947

CSO: 4006/145

## INDUSTRY

### BAOSHAN STEEL COMPLEX ENGINEER INTERVIEWED

OW230550 Beijing XINHUA Domestic Service in Chinese 0118 GMT 21 Nov 85

[Article by reporter Zhou Yongkang]

[Excerpts] Shanghai, 21 Nov (XINHUA)--The first-stage project of the Shanghai Baoshan Iron and Steel Complex (hereinafter abbreviated as BISC), the center of national attention, has been put into trial operation. The construction of the second-stage project has also begun. People throughout the country are very concerned about the progress of this capital construction project, which is the largest and has the most advanced equipment since the founding of New China. Therefore, this reporter interviewed Huang Jinfa, deputy director and chief designing engineer of the BISC project, asking him seven questions related to the construction of this project.

Question 1: The first-stage project of the BISC has been put into operation. Could you please talk about the progress of the construction of the BISC?

Answer: Geological prospecting and preparations for the construction of the BISC began in March 1978. Construction formally started on 23 December that year. It is designed to annually produce 6.5 million metric tons of iron, 6.7 million metric tons of steel, 4.22 million metric tons of steel products, and 1.22 million metric tons of marketable bloom.

During the early stage of its construction, due to the desire to achieve quick success, undue emphasis was placed on "hasty construction." Feasibility study was insufficient before starting the project. Besides, some equipment that could be manufactured at home were imported, thereby using up extra foreign exchange. Later on, necessary readjustments were made in keeping with the principle of seeking truth from facts, and the entire BISC project began to move steadily ahead.

While construction was underway, active efforts were made to prepare for actual production. With the support of all localities throughout the nation, Shanghai Municipality in particular, experienced engineers and technicians, managerial personnel, and skilled workers were selected to undergo training at home and abroad. Since the beginning of this year, the BISC has continued to strictly manage the plant and popularize the standard operating procedures adopted by the iron smeltery. This greatly boosted the technical and



vocational quality of our staff and workers, thereby ensuring the smooth operation of all equipment in September this year. As of the end of October, the BISC had produced 209,000 metric tons of iron, 120,000 metric tons of steel, and 90,000 metric tons of marketable bloom.

Question 2: What are the special characteristics of the BISC as a modernized iron and steel complex?

Answer: The BISC is still being evaluated for trial production. Judging from its design and the state of operation, the BISC has the following characteristics when compared with other existing iron and steel enterprises in China:

- 1) It has large equipment and a high level of automation.
- 2) It produces quality products that fill in the gaps left by products that are not readily available or are in short supply.
- 3) Energy management is automated. Energy consumption is low.
- 4) Waterways are the major means of transportation outside the plant. They account for 80 percent of the total volume of transportation.
- 5) Environmental protection is good.
- 6) It has an efficient and streamlined work force as well as high labor productivity.

Question 3: What is the total investment of the BISC?

Answer: The total investment of the first-stage project of the BISC was 12.877 billion yuan, including U.S. \$2.781 billion of foreign exchanges, which are equivalent to RMB 8.827 billion. Investment from domestic sources amounted to 4.05 billion yuan. This investment covered the main structure of the BISC, as well as other auxiliary facilities like transportation, communications, and public utilities. The total investment for the second-stage project has not been approved. The total investment of the two stages is expected to exceed RMB 20 billion.

Question 4: What about the economic results of the BISC?

Answer: After readjustments were made, the BISC project was to be completed and put into operation in two stages. Since most products of the first-stage project were semifinished steel blooms, and only 20 percent were finished steel pipes, very little profit was made after the first-stage project went into operation. On completion of the second-stage project, the proportion of the semifinished product steel blooms manufactured will shrink to 20 percent. Some 80 percent will be steel plates, steel pipes, and other products in short supply urgently needed by the state. These products are much more profitable

than steel blooms. After the second-stage project goes into operation, the annual profit will be much higher than the first-stage project.

Question 5: Judging from its construction and trial production, could you cite the advantages and disadvantages of selecting Shanghai as the site of the BISC?

Answer: Before the construction of the BISC began, eight ministries and commissions under the State Council as well as many experts conducted investigations and studies on the site of the new iron and steel plant. After comparing and analyzing the plans for several plant sites, they finally decided on Baoshan County in the northeastern suburbs of Shanghai as the plant location.

Selecting Shanghai as the plant site has the following advantages: 1) While construction is underway, it can get full support from Shanghai, a powerful industrial center. After it goes into operation, it will also facilitate cooperation among specialized departments. 2) Because Shanghai is readily accessible by sea and river, water transportation with other parts of China and foreign countries is very convenient. This will considerably reduce the pressure of railway transportation. 3) The BISC is located near its users. This is advantageous to both the supplier and the buyers.

Building the BISC in Shanghai also has its disadvantages. Since coastal areas are generally alluvium, which has low capacity for supporting structures, building a large steel plant here required consolidation of the foundation. This has become known as the problem of driving piles made of steel pipes. In the process of building the first-stage project, money was somewhat overspent because piles made of steel pipes, concrete, and sand had to be used. This amounted to about 4 percent of the total investment of the first-stage project. Some people mistakenly thought that the BISC will eventually sink into the Chang Jiang. Actually this problem does not exist at all.

Question 6: Why is it necessary for the BISC to use imported iron ore?

Answer: Because the great majority of verified iron mines in China have insufficient deposits, because mine stripping is widely used, because ore-dressing is difficult in many mines, and because quite a few mines are located in remote areas with complicated hydrological conditions, therefore, it requires huge investments and longer period to build new mines. They take longer to reach the designed output and yield poor economic results. The state has neither the financial capability nor the time to fully supply minerals for China's iron and steel industry.

Question 7: What is the importance of the construction of the BISC to developing China's national economy?

Answer: The construction of a modern iron and steel complex like the BISC is of great significance to raising the production technique and management

levels of China's iron and steel industry, to promoting national economic development, and to speeding up China's socialist modernization.

After the completion of the whole complex, the BISC will annually supply the state with 4.22 million metric tons of steel pipes and plates. To a certain extent, this will ease the shortage of steel products in China. The 1.22 million metric tons of marketable blooms may be used by other rolled steel mills to provide a wider variety of steel products. It will help ease the shortage of semifinished products in other rolled steel mills.

Armed with advanced technology and equipments, the BISC is up to the advanced international standard. This provides the old enterprises with model for carrying out technological transformation. It will promote the overall technological level and the level of manufacturing iron and steel equipment of China's iron and steel industry. In this sense, the benefits provided by the BISC are even greater.

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CSO: 4006/356

## INDUSTRY

### CPC, STATE COUNCIL GREET BAOSHAN PROJECT OPENING

OW270100 Beijing XINHUA Domestic Service in Chinese 0103 GMT 26 Nov 85

[Text] Beijing, 26 Nov (XINHUA)--Title: Greeting Message From the CPC Central Committee and the State Council on the Completion and Start of Operations of the First-Stage Baoshan Steel Project

To the Baoshan Steel Project Command and Baoshan Iron and Steel General Works and, through them, to all comrades, including engineers, technicians, workers, and cadres, taking part in the construction of this project:

The completion and start of operations of the first-stage project of the Baoshan Iron and Steel General Works is another major achievement of our country's socialist modernization program. This achievement is of vital significance to improving the production technology and raising the management level of China's iron and steel industry, promoting the development of the national economy, and accelerating the socialist modernization program of our country. During the past few years, all staff and members participating in the construction of the Baoshan Iron and Steel General Works have worked hard day and night, braving inclement weather conditions such as rain, wind, and scorching heat in summer. They have worked carefully to overcome one difficulty after another, thereby ensuring the start of operations of the first-stage project as scheduled. The CPC Central Committee and the State Council wish to extend warm congratulations and cordial regards to all comrades, including engineers, technicians, workers, and cadres, taking part in the construction of the Baoshan Iron and Steel General Works and express heartfelt thanks to all foreign experts and friends participating in this work!

The Baoshan Iron and Steel General Works is a big, modern iron and steel enterprise in our country. It is also a large-scale project with its complete set of equipment imported from abroad. Its completion and start of operations is not only a result of the concern shown by the people throughout the country and the all-out support given by the pertinent localities and departments, but also a good example of cooperation with foreign experts in the course of learning to grasp and assimilate imported technology. Now that the tasks of the second-stage project of the Baoshan Iron and Steel General Works have started one after another, the production and construction work from now on will continue to be extremely heavy. We hope that you will remain modest and

prudent, guard against arrogance and rashness, and will not only do well in building the Baoshan Iron and Steel General Works but also achieve success in managing it. You should strive to learn and master domestic and foreign advanced technology, make ceaseless efforts to raise economic results, and produce more high-quality products for our country. We hope that you will seriously sum up the experience in building the first-stage project and, on the basis of this experience, continue to work hard and do a quality and efficient job so as to achieve success in building the second-stage project. In addition, it is hoped that while making a success of production and construction, you will exert more efforts to build the spiritual civilization and strive to train a staff and worker contingent with high ideals, morality, education, and sense of discipline so as to make still greater contributions to the achievement of the four socialist modernizations!

CPC Central Committee

State Council

25 November 1985

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CSO: 4006/356



## CONSTRUCTION

### CONSTRUCTION COMPANY RAPIDLY EXPANDS RESIDENTIAL HOUSING

HK240856 Beijing ZHONGGUO XINWEN SHE in Chinese 0250 GMT 20 Nov 85

/Text/ Beijing, 20 Nov (ZHONGGUO XINWEN SHE)--The China Housing Construction and Development Co, China's largest enterprise dealing with land development and real estate, has built for sale this year, various houses and buildings with an area of over 18 million square meters, accounting for about one-fifth of the area of urban residential housing built across the country. The company's turnover has reached 3.5 billion yuan, more than 300 percent of the total of last 3 years.

Since its establishment in 1982, the China Housing Construction and Development Co's business has developed rapidly. The area of houses for sale which are under construction and those which have been completed has doubled each year. To date, the company has built various houses for sale with a total area of over 25 million square meters, of which over 11 million square meters have been completed and are ready for use. One million, eight hundred thousand households have moved into these new houses.

At present, this company has set up 102 branch companies in 99 cities in 27 provinces, municipalities, and autonomous regions. In addition to building various kinds of residential houses, these companies also build office buildings, tourist facilities, and general factory buildings.

Since the beginning of last year, 10 branch companies of the China Housing Construction and Development Co, together with respective local banks, have issued securities with prizes and interest for buying residential houses. In Harbin, Heilongjiang, 18 million yuan worth of such securities have been issued. On the day the securities were issued, all the 40 selling points set up by the banks were crowded with people.

A responsible member of the China Housing Construction and Development Co said that at present, the peasants in China's coastal areas and in economically developed rural areas south of the Chang Jiang are very eager to buy houses. Last year, this company put up over 12,000 square meters of residential houses for sale in Fuyang City and Jieshou County, Anhui Province. These houses were all bought by staff members, workers, and peasants within a short time. He said that the company will continue to extend its business in the rural areas.

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CSO: 4006/341

## CONSTRUCTION

### FIRST GENERATING UNIT OF TONGLIAO POWER PLANT IN OPERATION

Hohhot NEIMENGGU RIBAO in Chinese 22 Aug 85 p 1

[Article by Zhang Wancheng [1728 8001 2052] and Zhang Caimao [1728 2088 5399]:  
"The First 200,000-kW Generating Unit of the Tongliao Power Plant Has  
Officially Been Put Into Operation Producing Electricity"]

[Text] Through the hard work of over 7,000 construction workers, the first 200,000-kW generating unit of the state's major Tongliao Power Plant project has had steady production performance and normal equipment operation during its period of test operation. The unit officially went into operation at 7:30 am on 13 August of this year. After the State Testing and Acceptance Commission approved it as up to standards, an opening ceremony was held on 19 August where the operation authorization was signed. Vice Minister Zhang Fengxiang [1728 7364 5046] of the Ministry of Water Resources and Electric Power and the leading cadre of the Jirem League Administrative Office were present at the opening ceremony to cut the ribbon. The second generating unit is currently undergoing adjustment and testing, is hoped to go into production sometime this year. This project will play an important role in opening up the Huolinhe coalfield, promoting nationality industries, speed up construction of the four modernizations, and realizing a doubling of the economy.

The Tongliao Power Plant is a necessary project for opening up the Huolinhe coalfield. The first stage of the project will have an installed capacity of 400,000 kW. Due to several management changes occurring in the project's main construction company, plus windy and dusty conditions for long periods of time, work on the projects has been sporadic. After an investment of 100 million, the plant's foundation still did not have a floor, while two other power plants in the northeast were started at the same time as the Tongliao Power Plant, finished construction and went into operation and even started producing electricity. In June 1983, in order to speed up progress on the Tongliao Power Plant, the Northeast Electric Power Administrative Bureau readjusted the plant's headquarters, and effectively strengthened the plant's on-site leadership. At the same time they vigorously launched a "This Is a Nationally Important Project That Must Be Done" meritorious service campaign. Party and League members and many activists gave their written pledge, they loudly and clearly stated: "One person must undertake the work of two, releasing one person to go to the work front." Office workers and staff went to the work front to clear out sediment from pipes and help load cranes. Some of

them postponed leaves and some postponed marriages, with workers and staff trying to outdo each other in friendly competition while working hard to contribute. In order to meet the needs of safety, quality and speed in the project, headquarters set goals, established key tasks and drew up overall construction plans. Under the leadership of a few leading cadres at headquarters a contract policy with contracts for each area of the project was drawn up. This allowed the construction site to be a completely contracted unit with the project office being mainly concerned with project time limits, quality of materials, reducing costs, and safety. The project office is also responsible for output value and wages at each worksite, and calculating remuneration for teams, groups and individuals based on the amount of work they complete. They are strict and impartial in dealing out awards and punishments, those who work more receive more and those who work less receive less. These measures produced a guaranteed effect in advancing the time the first generating unit went into operation.

12704/12947

CSO: 4006/159

## CONSTRUCTION

### CONSTRUCTION STARTS ON TONGQU MINE

Taiyuan TAIYUAN RIBAO in Chinese 26 Sep 85 p 1

[Article by Yao Peng [5338 1202] and Yan Chun [5333 2504]: "Tongqu Mine Under Construction"]

[Text] After the Xiqu mine went into operation our province officially started construction on the Tongqu mine, another large mine in the state's major Gujiao coke base. On 25 September, outside the west entrance to the Tongqu mine, with flags fluttering in the wind and under the sound of firecrackers, gongs and drums, the municipal committee secretary, Wang Maolin [3769 5399 2651]; Director of the Ministry of Coal Industry's Capital Construction Department, Chen Dechen [1820 1795 3819]; and Gao Yeshangyan [7559 6851 1424 1750], head of the delegation representing Japanese banks that invested in the mine, cut the ribbon at the ceremony marking the beginning of the project.

The Tongqu mine is located to the southeast of Gujiao, and is the fourth large mine to be started in the Gujiao Mining Area. This mine was designed by the Coal Mining Design Institute of Shanxi as a mine with an annual production capability of 4 million tons. A loan from Japan will be utilized in its construction. Total investment for the project will be \$322 million, of which \$200 million will be supplied through the loan from Japan. The design calls for a tunnel depth of over 60 m and a construction area of 320,000 sq m. The first coal will be brought out at the end of 1989 and overall construction will be completed in 1992 for a total construction time of 7 years. Advanced equipment from both home and abroad will be selected for use in the mine's production, transportation, tunneling, communications, and safety monitoring systems; the coal extraction will be completely mechanized, with an overall extraction ability of 70 percent; transportation in the large tunnel will utilize large electric cable cars and 5-ton bottom-dumping mine cars. A domestically trial-manufactured 5-m full-face tunneling machine will be tested for the first time in the mine's east tunnel. After the Tongqu mine goes into production, the entire Gujiao mining area will enter a new stage, the area's mining capacity will reach 12.5 million tons and a complete coal separation plant for the Tongqu mine will be completed at the same time as the mine.

The No 1 and No 3 project offices of the Xishan Mining Bureau and the No. 1 Project Office for Construction Safety of the Ministry of Coal Industry

contributed to the construction of the Xiqu mine and will make new contributions in the construction of the Tongqu mine. During speeches, both Minicipal Committee Secretary Wang Maolin and Mr Gaoye, head of the delegation representing Japanese banks that invested in the project, wished for speedy success and the start up of operations as soon as possible.

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CSO: 4006/159



## CONSTRUCTION

### BRIEFS

CONSTRUCTION OF HARBOR BEGUN--After more than a year of preparation, the construction of the Huanghe harbor for the Shengli Oilfield has formally begun. On 25 November, a ceremony to lay the foundation stone for this project was held. Chairman Peng Zhen personally wrote the inscription and the name for the harbor. State Councillor Kang Shi'en attended and cut the ribbon at the foundation stone laying ceremony. At the first stage of this project, two 10,000-ton-class oil tanker berths and a 3,000-ton sundry wharf will be built. An indispensable and subsidiary project for building the Shengli Oilfield into a second Daqing, this project will play an important role in accelerating the construction of the oilfield and Dongying City, in improving transport facilities, and in strengthening contacts with foreign countries. /Text/ /Jinan Shandong Provincial Service in Mandarin 2300 GMT 25 Nov 85 SK/ 12228

CSO: 4006/341

FOREIGN TRADE AND INVESTMENT

AIRCRAFT INDUSTRY COOPERATING WITH U.S., FRG

OW220054 Beijing XINHUA in English 1438 GMT 21 Nov 85

[Text] Beijing, November 21 (XINHUA)--China's aircraft industry is developing new types of 100-seat jet planes in co-operation with the M.B.B. Company of Federal Germany and McDonnell Douglas Corporation of the United States.

This was announced by Wang Ang, vice-minister of aviation industry, at a news briefing at Beijing airport today.

He said this was another major step for his industry in international co-operation, following the co-operative production of 25 MD-82 planes with the McDonnell Douglas Corporation.

That deal was signed in April. The twin-jet aircraft can carry up to 172 passengers.

The 49-year-old vice-minister said China's aircraft industry had sent more than 200 senior specialists to Federal Germany and the United States to help design and produce the new aircraft.

He said China's aircraft industry should expand international co-operation -- joint design and co-production -- to keep pace with the rapid development of domestic air services.

To ensure quality and safety, the vice-minister said his industry would adopt international aviation regulations in developing and refitting passenger aircraft and cargo transporters.

China planned to export civilian aircraft, especially planes for domestic services.

The Yun-7, short- and medium-distance passenger plane, and the Yun-12 multi-purpose aircraft, had both attracted interest from overseas, and export negotiations are now under way.

Regarding the next five-year-plan, beginning next year, he said. "Developing domestic civilian aircraft is a national policy to enliven the national aviation industry. Priority will be given to production of civilian aircraft for feeder routes and those for special operations."

Wang said that over the next five years, the industry would strive to create favorable conditions for the development and manufacture of more advanced aircraft.

China had built an aircraft manufacturing industry capable of producing a whole range of products, with a comprehensive back-up system covering research, production and training.

The industry will have made and delivered more than 30 civilian aircraft by the end of this year.

They include ten 52-seat Yun-7 planes, seven 17-seat Yun-12 planes, and eight helicopters co-produced by China and France.

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CSO: 4020/108

FOREIGN TRADE AND INVESTMENT

ESSO/SHELL WINS SOUTH CHINA SEA OIL CONTRACT

OW150817 Beijing XINHUA in English 0807 GMT 15 Nov 85

[Text] Beijing, November 15 (XINHUA)--The Esso/Shell Group, formed by Esso China Limited of the United States and Shell Exploration (China) Limited of the United Kingdom, has won a contract to search for oil in the South China Sea, the China National Offshore Oil Corporation (CNOOC) announced here today.

The contract area, covering 3,876 square kilometers in the Pearl River mouth basin, is the second awarded in the second round bidding for offshore oil. It is the third contract CNOOC has signed with Esso/Shell.

Two years ago, the group signed contracts with CNOOC for joint petroleum exploration and exploitation in two blocks offered in the first round of bidding.

Over the past two years, nine exploratory wells have been drilled, and two have struck oil.

A CNOOC official said: "friendly co-operation has been established between CNOOC and Esso/Shell in the successful execution of the contracts."

Today's contract is the third China has signed with foreign firms for offshore oil co-operation in the past week.

Last Friday, the first contract of the second round was signed between CNOOC and three Japanese oil companies, and the final contract of the first round was signed three days ago between CNOOC and the Amoco Orient Petroleum Company of the United States.

Contract negotiations for the second round are still under way, and more contracts are expected to be signed this year and early next year. Bidding for offshore oil began in 1982.

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CSO: 4020/109

FOREIGN TRADE AND INVESTMENT

GUANGXI PROVINCE TO STAGE FIRST TRADE EXHIBITION IN HONG KONG

HK220429 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement)  
in English 22 Nov 85 p 6

[Text] China's Guangxi province will hold its first exhibition in Hong Kong from Thursday [28 Nov] to December 21.

According to Mr Huang Jianwen, an adviser to the China Export Bases Development Corp (Guangxi branch), more than 12,000 items will be displayed.

Mr Huang, who is among the first batch of Guangxi officials to come to Hong Kong to prepare for the exhibition, said 24 percent of the items were specially designed for the show.

He said the exhibition will prove popular with buyers despite the fact that the Guangzhou trade fair had just concluded.

"With such an event particularly designed to promote the products of Guangxi," he said, "buyers will have more chance to understand the trade potential of the province than the Guangzhou trade fair can offer."

Mr Huang said Guangxi exported more than U.S.\$300 million worth of products last year, about 45 percent of which were absorbed by Hong Kong.

A slight growth is expected in exports this year, he said.

Guangxi's major export items are agricultural and food products, non-ferrous metals and minerals, which account for 70 percent of the total exports.

Over 1,700 guests will be invited to the 24-day exhibition, said Mr. Huang.

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CSO: 4020/107



FOREIGN TRADE AND INVESTMENT

JAPANESE FIRM SKIRTS PRC FOREIGN EXCHANGE RESTRICTIONS

HK140402 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 14 Nov 85 p 1

[By Chito Santiago]

[Text] A major Japanese electronics manufacturer, Toshiba Corp, is pursuing exports of consumer goods in assembly kit form into China to reduce the impact of foreign exchange curbs imposed by Beijing.

Mr Takuji Kochi, general manager of Toshiba's Hong Kong office, told BUSINESS STANDARD in an interview yesterday that his company was now shifting its exports from finished products into major components and assembly kits of color televisions, refrigerators and washing machines.

"We do not expect to export any finished (consumer) goods into China, although we will whenever we can," Mr Kochi said. "But if we can switch from finished products into assembly kits and components, we will have a chance of maintaining our exports despite China's foreign currency problems."

Some Japanese electronics executives have expressed concern that China's two-year ban on most vehicle imports announced earlier this month, may be extended to other consumer goods especially TV sets.

According to reports exports of one Japanese electronic giant to China have already dropped this year because of Beijing's import controls.

These were imposed to preserve China's dwindling foreign exchange reserves, which fell to U.S. \$10.85 billion at the end of June from U.S. \$16.47 billion in the same period a year ago.

Mr Kochi said Toshiba's exports to China in the second half of this year are expected to slowdown compared with the first half.

Nevertheless, he projected that the performance of the latter-half period will still be better compared with the corresponding period of 1984.

Toshiba has close business relationships with China. According to Mr Kochi, the company will open another office in Shanghai in the near future to complement its existing offices in Beijing and Guangzhou.

In addition, the Hong Kong office is also looking after the China market. Another subsidiary, Toshiba Electronics (HK) is handling the sales of various electronic components from Hong Kong to China.

Mr Kochi said Toshiba has cooperation agreements with eight major TV factories located in Tianjin, Xian, Hangzhou and Guiyang, which it helped set up.

Among other things, these accords involve personnel training and the provision of technical know-how.

This month, the company held an exhibition in Beijing, which featured all its latest products.

"I think this exhibition has created a good impact on the Chinese people about Toshiba," Mr Kochi said.

Toshiba has reportedly 40 cooperation agreements with Chinese companies, but has not made any direct investments itself.

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CSO: 4020/108

FOREIGN TRADE AND INVESTMENT

PRC RELUCTANT TO ALLOW TOTALLY FOREIGN-OWNED COMPANIES

HK150505 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement)  
in English 15 Nov 85 p 5

[By Olivia Sin]

[Text] Seven years after China adopted the open-door policy, it is still reluctant to allow investors to set up wholly foreign-owned enterprises.

According to a senior Chinese foreign trade official, Mr Lu Yong Kuan, the formation of the enterprises is still regarded as an experiment.

Mr Lu, a divisional chief of the foreign investment administrative department of the Ministry of Foreign Economic Relations and Trade, told BUSINESS NEWS in Guangzhou that China does not favor 100 percent foreign-owned businesses.

"We prefer joint ventures where we can learn technology and other skills from our foreign partners," he said

Unless the projects involve high-technology they would not be approved, he said.

So far, only 94 wholly foreign-owned ventures have been approved in China, most of which are located in the special economic zones.

More liberal policies are adopted in the zones which were set up in 1979 to experiment with capitalism.

By comparison, about 1,680 equity and 3,000 contractual joint ventures were set up between 1979 and July this year.

"The formation of foreign-owned ventures is still in the experimental stage...we will study the issue more deeply," he said.

In a recent interview, he said China has completed drafting laws covering foreign-owned enterprises and the draft will soon be submitted to higher authorities.

Bankers and traders say China should encourage the formation of 100 percent foreign businesses which are easier to manage than joint ventures.

Language problems and a difference in business concepts are to be blamed for poor working relationships in a number of joint ventures.

A number of critics said China's unwillingness in approving wholly owned enterprises might have political overtones.

After all, they said, many Chinese officials who experienced foreign occupation of China have bitter memories of the country's humiliation in the pre-1949 era.

Others said the advantage of joint ventures is they enable China to exert certain control over foreign investors through the Chinese entities.

Nevertheless, a glance through a list of 24 foreign-owned projects set up last year in the special economic zones -- Shenzhen, Zhuhai, Xiamen and Shantou -- suggested that few can be classified as high-technology projects.

They range from a restaurant, amusement center, rattan work to a pottery factory and decoration company, according to the CHINA INVESTMENT GUIDE 1986, jointly published by Longman and China International Economic Consultants Inc.

Mr Lu said China has attracted a total of U.S. \$18 billion in foreign funds, including loans and direct investment from 1979 to July this year.

He said the past 2 1/2 years have seen a dramatic increase in equity joint ventures.

Between 1979 and 1982, there were only 83 but the total number jumped to more than 800 by the end of 1983.

If things go on smoothly, he said, the number will exceed 2,000 by the end of the year.

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FOREIGN TRADE AND INVESTMENT

GUANGXI HOLDING EXHIBITION IN HONG KONG TO PROMOTE TRADE

HK270727 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 27 Nov 85 p 1

[Text] Guangxi Provincial officials are in Hong Kong to promote trade with a two-week exhibition at the Hong Kong Exhibition Center.

The Guangxi Export Commodities Exhibition, which begins today at the fifth level of the exhibition center, has a total of 1,261 categories ranging from food items, to metals and minerals.

"About 2,650 exhibits on textiles, machineries, arts and crafts, are Guangxi's new products," said Mr Shen Yue-feng, leader of the provincial delegation and deputy director of the Foreign Economic Relations and trade commission of the Guangxi Zhuang Autonomous Region.

Hong Kong has been Guangxi's biggest trading partner, absorbing 46 percent of the province's products, he said, while Japan and the United States are in second and third place, respectively.

"As an autonomous region, Guangxi enjoys 50 percent of its export revenue while the other half goes to the Central government," he said.

Exports have filled the province's coffers to the tune of U.S. \$300 million from January to October this year, a 15 percent increase compared with the same period of last year.

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FOREIGN TRADE AND INVESTMENT

OPENING UP POLICY INCREASES FOREIGN INVESTMENT

OW251932 Beijing XINHUA in English 1856 GMT 25 Nov 85

[Text] Xiamen, November 25 (XINHUA)--China has used 5.36 billion U.S. dollars in foreign funds since it introduced the policy of opening to the rest of the world in 1979, it was reported here today.

Since 1979, Chinese firms have clinched 7,030 deals involving 14.7 billion dollars in foreign funds, adviser to the Ministry of Foreign Economic Relations and Trade Shi Lin told an international meeting to promote investment in Fujian Province, which opened here today.

More than one billion dollars of foreign funds have been used in the first nine months of this year, a 62.6 percent increase over the same period in 1984.

So far, 1,897 Sino-foreign joint ventures, 3,408 cooperative businesses and 109 enterprises with sole foreign investment have been set up.

Fujian officials will propose 84 schemes involving co-operation with foreign investors during the five-day meeting, which is being sponsored jointly by the provincial authorities and the United Nations industrial development organization.

These will cover chemicals, textiles, electronics, machine-building, precision instruments and building materials.

Priority is being given to the development of energy and other natural resources, transport, upgrading existing enterprises and tourism, vice-governor Chen Binfan told 200 business people from Europe, North America, Southeast Asia, Japan and Hong Kong.

He said foreign investors would be given preferential treatment. They would be exempt from paying the capital construction investment tax and would receive tax relief on construction schemes involving energy, transport and harbors in the provincial capital of Fuzhou and the southern Fujian Economic Zone.

They would also be able to take profits out of China after paying taxes.

The provincial authorities have spent nearly two billion yuan on infrastructure such as airports, harbors, communications, railways and power plants.

The vice-governor said Fujian had established trade relations, and economic and technological co-operation with 120 countries and Hong Kong and Macao.

By the end of October, it had launched 652 Sino-foreign joint ventures, co-operative businesses and enterprises with sole foreign investment. Meanwhile, foreign technology and equipment had been introduced to revamp 729 local factories.

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## FOREIGN TRADE AND INVESTMENT

### PRODUCTS AT BEIJING TRADE FAIR IMPRESS VISITORS

OW281818 Beijing XINHUA in English 1640 GMT 28 Nov 85

[Text] Beijing, November 28 (XINHUA)--Visitors to the Chinese pavilion at the Asia-Pacific International Trade Fair being held here are showing great interest in an automatic machine tool.

It carries out various processes such as boring, milling, drilling, screwing and tapping.

The flexible machining center, as it is called, has been developed by the Beijing Machine Tool Research Institute.

The computerized machining center is composed of a digital control machine tool, industrial robot and an automatic conveyor. It can automatically change cutting tools.

An official of the China National Machinery and Equipment Import and Export Corporation said the machining center was the first product of its kind in China, and its technical abilities were up to international standards of the 1980s.

It was first displayed at an exhibition in Japan earlier this year, and won favorable comments from machine-tool experts. It is attracting many visitors to the current trade fair.

The fair, being attended by 26 countries and regions, has received more than 400,000 visitors since it was opened on November 15.

Also on show at the Chinese pavilion are a high-precision roundness-measuring instrument, a powerful cutting tool called "Pratt and Whitney 1200 cnc", a J2205 two-color sheet-fed offset press, a program-controlled paper-cutting machine and micro-neutron source reacting technology. They are all up to international standards.

The printing press won a first prize at an exhibition held in New Delhi in 1983.

Visitors are also showing great interest in materials and models relating to satellites, carrier rockets, nuclear reactors and hovercrafts.

One Pakistani visitor said when he saw a carrier rocket model and photographs of satellites: "This is the pride of the Third World."

China can not only launch various types of satellites but also possesses satellite-recovery and geostationary technology.

China announced last May that it would enter into the world commercial satellite market and contract for launching satellites for foreign countries.

Also on show are materials and models relating to fighter and transport planes, heavy mining equipment, general machinery for the oil and chemical industries, farm machinery, farm produce and sideline products processing machinery and motor vehicles.

A small aircraft on show, the Y-12, can be used for short-distance passenger and cargo transport, geological prospecting, tourism, forestry and agriculture.

Computers, radar, communications equipment, electronic instruments, medical apparatus and instruments, household electrical appliances, laser communications devices and satellite TV receiving systems, displayed by the China National Electronics Import and Export Corporation, show the recent achievements in China's electronics industry.

Vice-minister of Electronics Industry Liu Jianfeng told Xinhua the output value of China's electronics industry was expected to reach 28 billion yuan (about nine billion U.S. dollars) by the end of this year, 180 percent more than in 1980.

He said the industry had imported more than 1,130 items of advanced technology and equipment, costing 1.37 billion U.S. dollars.

With this imported technology and equipment, about a third of the country's key electronics enterprises had been overhauled.

China's pavilion covers more than 9,100 square meters in floor space, and is the largest at the fair.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

PDRY IRRIGATION PROJECT--Aden, 20 Nov (XINHUA)--China signed a contract here today with Democratic Yemen on a project of irrigation and levelling of soil. The project, financed by the Arab Fund for Economic and Social Development and the Kuwaiti Development Fund, includes the levelling of 3,000 hectares of land and the building of water conservancy facilities. The project to be undertaken by the China Construction Engineering Corporation is scheduled to be completed in 2 years. The value of the contract is 12.62 million U.S. dollars. This is the fifth project here contracted by the Chinese corporation since 1983. [Text] [Beijing XINHUA in English 0138 GMT 21 Nov 85 OW] 12624

FOREIGN INVESTMENT PROMOTED--Xiamen, November 21 (XINHUA)--An international meeting to promote foreign investment in coastal Fujian Province will be held November 25-29 in Xiamen Special Economic Zone. This was announced yesterday at a press conference here by a spokesman for the preparatory committee for the meeting. Over 200 business people of two dozen countries have expressed willingness to attend the meeting, jointly sponsored by the Fujian Provincial Government and the United Nations Industrial Development Organization. Fujian expects to seek foreign investment for building four thermal power plants, two hydroelectric power stations, as well as a number of lime stone, marble, granite, silicon sand and barite quarries. Also to be proposed at the meeting is the electrification of the Yingtian-Xiamen railway, the province's only rail link with other parts of China. [Text] [Beijing XINHUA in English 1656 GMT 21 Nov 85] 12624

TUOBIN RECEIVES IRISH DELEGATION--Beijing, November 20 (XINHUA)--Zheng Tuobin, Minister of Foreign Economic Relations and Trade, exchanged views with Irish Minister of State for Industry, Trade, Commerce and Tourism Edward Collins on expanding bilateral trade and economic cooperation here this afternoon. Minister Collins is leading an Irish Government Trade delegation on a visit to China. The guests arrived in Beijing November 18 as guests of the Ministry of Foreign Economic Relations and Trade. During its stay here, the delegation has so far met with Hu Yizhou, director-general of the Civil Aviation Administration of China and other departments concerned. [Text] [Beijing XINHUA in English 1627 GMT 20 Nov 85] 12624



CHINESE AND BULGARIAN OFFICIALS MEET--Sofia, November 16 (XINHUA)--Chinese and Bulgarian state planning officials today signed the minutes of their talks on expanding cooperation in trade, machinery, electronics, the chemical industry, food processing and agriculture. Chinese State Planning Commission Minister Song Ping and Bulgarian State Planning Committee Chairman Ivan Iliev signed the minutes and agreed that expansion of bilateral relations in trade and technology is the common aspiration of both countries. They said frequent visits and contacts between the two countries' planning organizations to exchange experience in economic development, management and planning are beneficial to both sides. Today Bulgarian Premier Grisha Filopov also met with Song Ping. They briefed each other about the domestic situations and future development of their countries' economies. The development of bilateral relations in recent years has laid a solid foundation for further cooperation, they pointed out. Song Ping, who is heading a Chinese governmental delegation, arrived here on November 13 and leaves on Sunday. [Text] [Beijing XINHUA in English 0155 GMT 17 Nov 85 OW] 12624

JAPAN'S NISSAN COMPANY HOLDS EXHIBIT--Beijing, November 19 (XINHUA)--The Japanese Nissan Motor Company opened its first auto exhibition here today. The week-long exhibition was jointly organized by the company and the China Council for the Promotion of International Trade (CCPIT), Beijing sub-council. Takashi Ishihara, Chairman of the Board of Directors of Nissan, and Bo Yibo, CCPIT honorary chairman, cut the ribbon at the opening ceremony. "We wish to give our guests a bird's-eye view of the comprehensive Nissan Enterprise rather than introducing the individual products at the exhibition," Ishihara said. The Japanese Company is negotiating with chinese automobile manufacturers to jointly produce trucks. Nissan began its contact with China in 1972, and has sold more than 60,000 automobiles in China. [Text] [Beijing XINHUA in English 1238 GMT 19 Nov 85 OW] 12624

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SPECIAL ECONOMIC ZONES

HONG KONG COMPANY DROPS PLANS TO BUILD NEW DISTRICT IN SHENZHEN

HK040357 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 4 Nov 85 p 1

[By Olivia Sin]

[Text] Hopewell holdings Ltd and Shenzhen have agreed to terminate a \$2 billion agreement to jointly develop a new district in the Special Economic Zone [SEZ], according to Shenzhen authorities.

The joint venture agreement was signed in late 1981 between Hopewell and the state-owned Shenzhen SEZ Development Co.

The 30 sq km area to be developed into an urban city is named Futian and lies on the eastern side of the Shenzhen railway station.

The general manager of the Shenzhen SEZ Development Co, Mr. Sun Kaifeng, told BUSINESS NEWS that the decision to terminate the agreement was made after "friendly negotiations" between both sides.

However, no announcement has been made by Hopewell, a locally listed real estate developer. Officials from the company were unavailable for comment.

Explaining the cancellation of the agreement. Mr Sun said raising sufficient funds for the Futian development -- no longer a priority project -- had proved difficult.

Hopewell, he pointed out, already has several major China projects in hand.

These include the Guangzhou-Shenzhen-Zhuhai superhighway, a 700 megawatt coal-fired power plant in Shenzhen, and an 800-room hotel and commercial complex at the Lowu railway station.

The Futian project was publicized in Hopewell's 1982 annual report but has not been mentioned in any of its later reports.

Brokers observed that Hopewell's "hands are full" and it is wiser for the company to concentrate on the more important China projects.

With Hopewell's debt burden estimated to peak at about \$10 billion in two years, one broker said the company should not spread itself too thinly in too many large projects.

Another broker cautioned against reading negative implications into the company's decision to withdraw from the Futian project.

"It does not necessarily mean bad news," he said, adding that the move might have served the "mutual interests" of both parties.

He pointed out Hopewell has its risks well covered through project finance funding and bank guarantees.

Another analyst noted that Hopewell's managing director, Mr Gordon Wu, has good connections with Chinese leaders.

Mr Wu was reported to have talked with Chinese Premier Zhao Ziyang the difficulties of investing in China.

Nevertheless, analysts said Hopewell's China ventures are advancing only slowly and finance arrangements are taking a long time to materialize.

For instance, the application for a \$1 billion finance package for the Shenzhen power station has still not been approved, although it was expected to be granted in August.

They also pointed out that Hopewell, as a joint-venture partner in the newly-completed Shenzhen customs building, has yet to obtain approval to levy a fee on the travelling public to recoup its investment.

The latest report from Shenzhen is that the issue is being considered by Beijing authorities.

Hopewell's turnover for the year to June dropped by \$68 million to \$223 million.

Its \$101 million profit attributable to shareholders this year is accounted for mainly by \$98 million in extraordinary items.

Under the original Futian agreement, which was to have lasted for 30 years, the Shenzhen                    to provide 30 sq km of development land.

Hopewell would have been responsible for raising \$2 billion in initial loan capital to finance the development of infrastructures as well as commercial, industrial and residential properties in the new town.

Mr Sun said the Shenzhen SEZ Development Co has taken over the Futian project and is now redrawing its master development plan.

He added that his company did not intend to form another new joint venture to develop Futian, although foreign investors were welcome to co-operate on smaller-scale projects in the district.

Experts from Beijing are now working on the first stage development of Futian, he said.

"They will examine the plan in accordance with Shenzhen's future needs," he added.

The development of the south China Sea oil exploration activities and the Daya Bay nuclear plant will play an important part in determining the future use of Futian.

At present Shenzhen officials, caught in the nationwide credit squeeze, are concentrating their resources on areas like the Lowu town center, and the Shangbu Nantou and Shekou industrial districts.

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TRANSPORTATION

BRIEFS

SHANGHAI-TAIYUAN NONSTOP FLIGHT--The Shanghai CAAC Administration formally inaugurated a new nonstop flight from Shanghai to Taiyuan, Shanxi Province on 18 November, a distance of 1,224 km. Triednet aircraft will be used, with the flight taking 1 hour and 45 minutes. There are two flights a week from Shanghai on Mondays and Thursdays, returning the same days. [Text] [Shanghai JIEFANG RIBAO in Chinese 20 Nov 85 p 1] /9599

NEW JILIN AIR ROUTE--On the afternoon of 21 November, Changchun Airport in Jilin Province greeted the guests who arrived on the first airliner from Yanji City of Yanbian Chaoxian Autonomous Prefecture. The Changchun City Government held a ceremony to mark the beginning of flight service between Changchun and Yanji. [Summary] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 21 Nov 85 SK] /9599

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17 JANUARY 1986